

THE AMERICAS

A Cuban Exile Reveals Campaign to Kill Castro

He Was Paid by Leading Compatriots in U.S. And Visited the White House Several Times

By Ann Louise Bardach
and Larry Rohter
New York Times Service

MIAMI — A Cuban exile who has waged a campaign of bombings and assassination attempts aimed at toppling Fidel Castro says his efforts were supported financially for more than a decade by the Cuban-American leaders of one of America's most influential lobby groups.

The exile, Luis Posada Carriles, said he organized a wave of bombings in Cuba last year at hotels, restaurants and discoteques, killing an Italian tourist and alarming the Cuban government. Mr. Posada was schooled in demolition and guerrilla warfare by the Central Intelligence Agency in the 1960s.

In a series of interviews at a walled Caribbean compound, Mr. Posada said the hotel bombings and other operations had been supported by leaders of the Cuban-American National Foundation. Its founder and head, Jorge Mas Canosa, who died last year, was embraced at the White House on different occasions by Presidents Ronald Reagan, George Bush and Bill Clinton.

A powerful force in both Florida and national elections, and a prodigious campaign donor, Mr. Mas played a decisive role in persuading Mr. Clinton to change his mind and follow a course of sanctions and isolation against Mr. Castro's Cuba.

Although the tax-exempt foundation has declared that it seeks to bring down Cuba's Communist government solely through peaceful means, Mr. Posada said leaders of the foundation discreetly financed his operations. Mr. Mas personally supervised the flow of money and logistical support, he said.

"Jorge controlled everything," Mr. Posada said. "Whenever I needed money, he said to give me \$5,000, give me \$10,000, give me \$15,000, and they sent it to me." Over the years, Mr. Posada estimated, Mr. Mas sent him more than \$200,000.

"He never said, 'This is from the foundation,'" Mr. Posada recalled. Rather, he said with a chuckle, the money arrived with the message, "This is for the church."

Foundation leaders did not respond to repeated telephone calls and letters requesting an interview to discuss their relationship with Mr. Posada. But in a brief statement faxed to The New York Times, the group denied a role in its operations, saying "any allegation, implication, or suggestion that members of the Cuban American National Foundation have financed any alleged 'acts of violence' against the Castro regime are totally and patently false."

Mr. Posada, 70, has long refused to talk to journalists; his 1994 autobiography provided few details about his dealings with the foundation's leaders.

But in two days of interviews, he talked openly for the first time about

those relationships and how they figured in a fight to which he has devoted his life, a fight that has left him far from his declared goal of toppling the hemisphere's last Communist state.

Although he did not explain why he agreed to the interviews, Mr. Posada, who has survived several attempts on his life, did tell a friend recently he was afraid he would not live long enough to tell his story.

For the first time, Mr. Posada also described his role in some of the great Cold War events in which Cuban exiles were key players. He was trained for the Bay of Pigs operation at a camp in Guatemala, but did not participate in the landing on Cuban beaches after the Kennedy administration withheld air support from the first wave of rebels, whose attack quickly foundered.

It was Cuban exiles like Mr. Posada who were recruited by the CIA for the subsequent attempts on Mr. Castro's life. Jailed for one of the most infamous anti-Cuban attacks, the 1976 bombing of a civilian Cuban airliner, he eventually escaped from a Venezuelan prison and joined Lieutenant Colonel Oliver North's clandestine effort to supply arms to Nicaraguan contras.

Mr. Posada denied any role in the Cuban bombing, which killed 73 people.

Some of what he said about his past can be verified through recently declassified government documents, as well as interviews with former foundation members and U.S. officials.

But he made several claims that rest solely on his word, including an assertion that he has agents inside the Cuban military and that U.S. law enforcement authorities maintained an attitude of benign neglect toward him for most of his career, allowing him to remain free and active.

Mr. Posada said all payments from the exile leaders to him were made in cash, and he said he did not know whether the money came from personal, business or foundation accounts. He said the money was used for his living expenses and for operations and that Mr. Mas told him he did not want to know the details of his activities.

The foundation, created in 1981, has sought to portray itself as the responsible voice of the Cuban exile community, dedicated to weakening the Castro regime through politics rather than force. It became one of Washington's most effective lobby organizations and a principal architect of U.S. policy toward Cuba.

Any evidence that the foundation or its leaders were dispensing money to Republicans and Democrats while underwriting bombings could weaken the group's claim to legitimacy. That kind of activity also could violate the Logan Act, which makes illegal any "conspiracy to kill, kidnap, maim or injure persons or damage property in a foreign country."

BOOKS

HEMINGWAY'S CHAIR

By Michael Palin. 280 pages.
\$23.95. St. Martin's.

Reviewed by Gary Krist

IS THERE anything that Michael Palin can't do? Best known as a founder of the British comedy team Monty Python's Flying Circus, he has since proven to be the group's most versatile alumus. Not only has he gone on to act in non-Python movies like "A Fish Called Wanda" and "The Missionary," he has also written a play and several children's stories, collaborated on several travel books and hosted a series of television documentaries.

Now, with "Hemingway's Chair," he has produced an engaging and accomplished first novel. It makes you wonder where we will be hearing the pyramids of Palin's First Symphony.

Those familiar with the demented brilliance of the Python series may be surprised at the understated tone of Palin's novel. While "Hemingway's Chair" does have moments of antic comedy, its brand of subtle, compassionate humor seems far more Trollopian than Pythonesque. In fact, the book's protagonist, Martin Sproale, could easily pass for a descendant of one of Trollope's Barchester provincials. A bland, unassuming type who lives with his mother, Martin bicycles every morning to his job at the post office of a negligible British town called Theseton, where he carries on a tepid romance with a co-worker.

About the only thing remarkable about the young man is his intense obsession

with Ernest Hemingway. Having turned his bedroom into something of a Hemingway shrine, Martin spends most of his evenings there, tending his collections of Papa-related memorabilia and toasting a huge photograph of the Great Writer with snifters of high-proof grappa.

As you might expect, the former Python has a keen eye for this kind of eccentricity, but what impresses most about "Hemingway's Chair" is his firm command over the basic craft of novel-writing. His book is well paced, his prose carefully hewn, his characters fully developed and convincingly human. And his comic timing is impeccable.

In a typical early episode, for instance, Martin is interrupted during one of his frequent communions with the spirit of his hairy-chested idol:

"I've made some tea. Do you want a cup?" It was his mother calling. Reminding him of the rituals of life outside. "I've put it in the kitchen, Martin!"

Martin shook his head sadly. Tea-drinkers, mothers, post office administrators, would-be fiancées. Little people with little minds. When would they realize that only through confrontation with danger could life be lived to the full? On the other hand he was thirsty after all that salt and vinegar.

"He finished the grappa, slammed down the glass, threw a punch at the light switch and went out.

"Coming," he called.

Obviously, Martin fancies himself just the kind of virile ho-man that Hemingway would admire. But in a town like Theseton, the opportunities for machismo are dis-

BRIDGE

By Alan Truscott

CENK Tun, a 27-year-old Turk, came to the United States three years ago and began to study English, computer science and bridge from the bottom up with considerable success.

After two years, he gave up bridge, studying furiously and effectively in the hope of being accepted by MIT. But he returned to the game briefly recently to play with his mentor, Karen McCallum of Exeter, New Hampshire, a former world champion.

As South, Cenk Tun arrived in three no-trump after

his right-hand opponent had opened with two spades.

West led the club two, an odd choice, and East took the queen and returned a club to the king. A heart shift was won with the ace, and a spade

was led to the jack. East took the ace and knocked out the heart king by leading the queen.

The spade seven was covered with the nine and queen, and the dummy was entered with a diamond to the king.

The spade eight held the next trick, and the south hand was entered with a diamond to the queen. The ending was as shown at left.

Needless to say, South led the spade king, squeezing West in three suits without the count. He threw a diamond, giving up one trick, while anything else would have cost two. Tun had joined the club

of brilliant beginners founded by the fictional professor of logistics and statistics.

NORTH
♦ A 8 7
♦ K 6 5
♦ K 10 7
♦ J 8 6 4

WEST
♦ —
♦ 10 9 8
♦ A 9 8
♦ A

EAST
♦ 10 9 8
♦ 7
♦ —
♦ —

SOUTH
♦ K Q 8 3
♦ Q 6 5
♦ A 4 3
♦ Q 3

Neither side was vulnerable. The bidding:
North
South
West
East
Pass
Pass
Pass
Pass

Speedmaster Automatic Model in 18k red gold. Day-Date, AM/PM. OMEGA - Swiss made since 1848.

AP Photo/J. M. G.



MUSEUM TOUR — Hillary Clinton and her daughter, Chelsea, at the Alexander Calder exhibition at the National Gallery in Washington.

POLITICAL NOTES

Lott Calls Clinton Political 'Bystander'

WASHINGTON — Stung by Democratic charges of overseeing a "do-nothing Congress," the Senate majority leader, Trent Lott, lashed back over the weekend by blaming Washington's inaction on President Bill Clinton, calling him a political "bystander" who is ignoring the nation's business, much as President Richard Nixon did before resigning in 1974 in the Watergate scandal.

Mr. Lott, Republican of Mississippi, complained that Democrats have obstructed progress so they can "run out the clock" before the November midterm elections and cry "crocodile tears about a do-nothing Congress."

In a direct jab at Mr. Clinton, Mr. Lott bemoaned "the president's detachment" in an allusion to the sex-and-perjury investigation dogging the White House.

In their decisions, the judges do not offer detailed solutions of the type being pushed in Congress by Democrats and some Republicans.

But they say their hands are tied by the 1974 law, the Employee Retirement Income Security Act. They say the law has not kept pace with changes in health care and the workplace.

The law was adopted because of concern that corrupt, incompetent pension managers were looting or squandering money. It governs health plans covering 125 million Americans and sets stringent standards of conduct for the people who run such plans, but severely limits the remedies available to workers. The law does not allow damages for the improper denial or processing of claims, which the courts have interpreted as protecting health management organizations even if they improperly deny care to a member.

Quote/Unquote

Representative Doug Bereuter, Republican of Nebraska, talking to the state convention, saying too many members were using Christianity for political gain: "I question no individual man or woman's religious sincerity, but a lot of people got religion lately when it seemed to be especially good politics with certain voting blocs. That is called exploitation and it leads to further cynicism and distrust of all who cite their religious views or act upon them."

Turner Apologizes for CNN's Blunder

The Associated Press

PASADENA, California — Ted Turner, founder of worldwide Cable News Network, has issued a fervent apology for a flawed broadcast television report alleging that U.S. troops used the lethal nerve gas sarin during a 1970 raid into Laos.

Mr. Turner said that the news debacle had wounded him even more than the death of his father and other painful personal losses.

"If committing mass suicide would help, I've even given that some consideration," Mr. Turner told a Television Critics Association gathering here.

"Nothing has upset me more probably in my whole life."

He offered his apology to military veterans and anyone who had been damaged by the "NewsStand: CNN & Time" report that asserted U.S. troops had used nerve gas during an airborne

assault operation. CNN retracted the report on July 2, apologizing to its viewers and toll American military veterans for "serious faults" in its reporting.

Time magazine, which printed a version of the story, also apologized.

Mr. Turner, who founded the news network in 1980 as part of his TBS empire, said he now believed the story was incorrect.

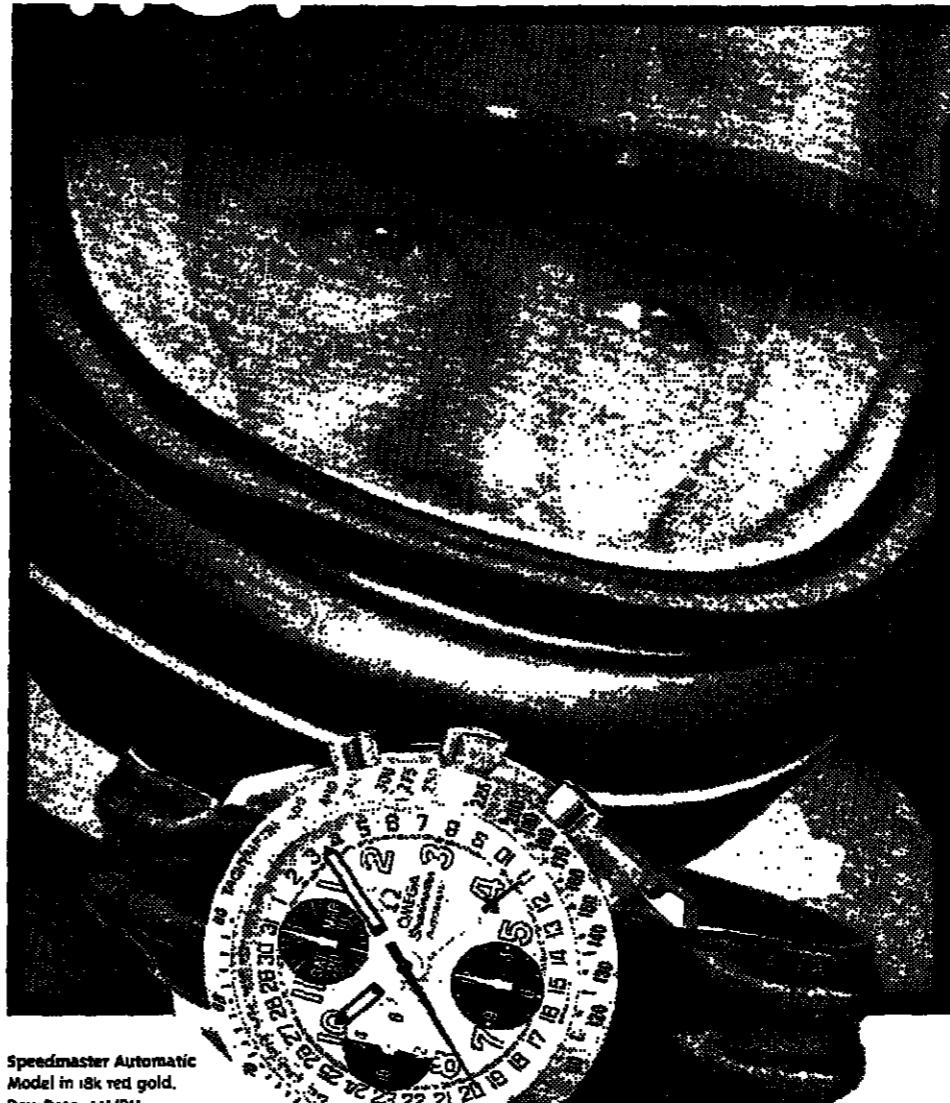
Nevertheless, he defended the CNN decision to limit its punishment of its noted foreign correspondent Peter Arnett to a reprimand when others were fired.

Mr. Arnett read the script for the report and conducted some interviews.

"His past courageous contributions weighed heavily in the decision to spare him from resigning or being fired," Mr. Turner said, citing Mr. Arnett's reporting of the 1991 Gulf War for CNN.

Mr. Arnett won a Pulitzer Prize while he was an Associated Press correspondent covering the Vietnam War.

Michael Schumacher's Choice



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ASIA/PACIFIC

North Korean Raider Washes Up in South

A Coastal Alert Is Ordered After Discovery Of Dead Diver With Gun, Radio and Camera

By Nicholas D. Kristof
New York Times Service

TOKYO — South Korean military commanders put troops on the country's eastern coast on alert Sunday and declared a curfew in the area after finding the body of a diver who they said was a North Korean commando.

Attached to the diver, whose body apparently washed up on the beach, was a Czech-made submachine gun, a hand grenade, radio transmission gear and an underwater camera.

Nearby, investigators found a cone-shaped aluminum submersible boat that was large enough to carry up to five armed commandos.

"Judging from the objects found, it has been proven that the dead diver was an armed infiltrator," said Kang Jung Kwon, a Defense Ministry spokesman.

If further investigation backs that up — and if other armed North Korean infiltrators are caught — the result could be serious new antagonisms between North and South Korea.

More broadly, the incursion could be a major setback for efforts to engage the Stalinist-like state in the North and bring it out of its long decades of isolation.

President Kim Dae Jung of South Korea has pushed a "sunshine" policy intended to build ties with the North and ease sanctions against it.

But that is proving difficult to promote because of evidence that North Korea is still sending armed commandos into the South.

Just last month, a furor erupted when a South Korean fisherman caught a North Korean submarine in his drift net.

The North Korean commandos on board apparently killed the crew and then themselves, but South Korean officials said that some of the commandos had recently been in South Korea.

Still, that incident aroused only limited outrage in the South, in part because the submarine was 19 kilometers (12 miles) offshore when it got tangled in the net. North Korea said the craft had lost power and suggested it drifted.

The body was discovered by a South Korean man walking along the beach on

Sunday morning near the city of Donghae, northeast of Seoul. The diver was wearing a wet suit, goggles and two oxygen tanks.

Defense Ministry doctors examined the body and said that the raider had been dead from one to two days. They did not disclose the cause of death.

Some overseas Koreans sympathetic to the North have said that infiltrators are the only means the North has of gathering military intelligence.

The South can get intelligence from satellite pictures, they say, while the North has to send in commandos.

The obvious question is why North Korea would risk another humiliation by dispatching commandos into the South, particularly so soon after its submarine was snared in the drift net.

Lee Jong Chan, head of South Korea's intelligence agency, warned last week that the North might step up spying and terrorism against the South in the run-up to the inauguration of the North Korean leader, Kim Jong Il, as his country's president in the next couple of months.

Mr. Lee said North Korean agencies would redouble their efforts against the South in a show of loyalty to Mr. Kim.

While North Korea has not formally said that Mr. Kim will become president, the betting is that he will be named in August or September.

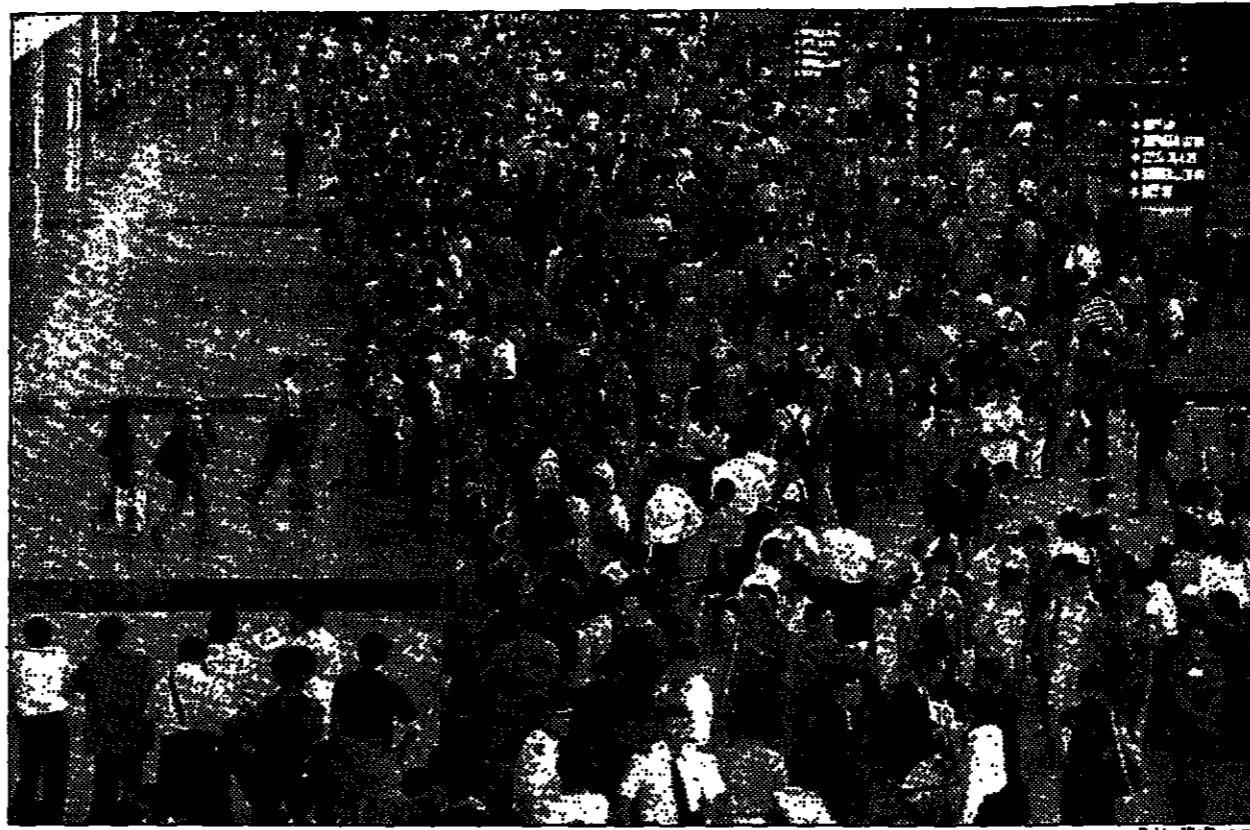
On Sunday, North Korea announced that he had accepted a nomination from the Supreme People's Assembly, apparently in a step toward assuming the presidency.

■ Seoul Assails "Violent Strategy"

The discovery of the body on the beachfront near Donghae rattled government leaders who believed they had reacted calmly to the June 22 discovery of a North Korean submarine in South Korean waters off the same port.

"This is proof that North Korea's violent strategy toward the South has not changed," said the Munwha Broadcasting Co. "They want all the economic aid they can get, but they do not abandon their dual plans to attack us."

The Defense Ministry said the dead North Korean, thought to be in his 30s, did not appear to have been wounded.



Passengers and employees thronging the arrival hall of Hong Kong International Airport on Sunday.

Hong Kong Stung by Airport Pratfall

By Mark Landler
New York Times Service

HONG KONG — It could not have had a more auspicious beginning, with inaugural flights by the president of China, Jiang Zemin, and by the president of the United States, Bill Clinton.

Both men said they were duly impressed. But then, they didn't have to line up at check-in counters, claim their bags or sprint to far-flung gates.

For everybody else who traveled through Hong Kong's lavish new airport last week, the experience was not so much impressive as bewildering. Planes were delayed, gates were mixed up, baggage was lost, toilets backed up, flight information boards went dark and crates of seafood rotted on the tarmac.

To say that Hong Kong International Airport has had a turbulent takeoff does not capture the bizarre string of mishaps that have afflicted this \$20 billion project since it opened last Monday. Nor does it evoke the outrage and embarrassment that people here feel about what was supposed to be the pride of

Hong Kong and has instead become a colossal public-relations nightmare.

"It was complete chaos," said Peter Cleary, an American lawyer who has lived in Hong Kong for 14 years and takes pride in its reputation for brisk efficiency. Last Monday, Mr. Cleary landed at the airport at 10 P.M., was stuck on his plane for nearly two hours while the pilot tried to find a gate, and finally collected his bags at 4:30 A.M. after wandering the terminal for hours.

"I thought it was incredibly shoddy,

and I'm not a grouch by nature," Mr. Cleary said. "To call that 'teething problems' is farcical."

Under intense public pressure, Hong Kong's chief executive, Tung Chee-hwa, said Friday that he would appoint an independent panel to investigate the problems and determine who was responsible.

The airport planners had the extreme misfortune of stumbling only a week after the sealing of Hong Kong's first democratically elected legislature since the handover. Grabbing a ripe opportunity for political theater, the lawmakers hauled in the chief executive of the Airport Authority, Hank Townsend, for a 90-minute inquisition Thursday, during which he was repeatedly urged to resign.

"This was meant to be a first-class project, but it has turned into a ninth-class airport and a disgrace," said Lau Kong-wah, a member of Hong Kong's main pro-Beijing party.

"Our airport has become the laughingstock of the world," Mr. Lau said, shooting a baleful glance at Mr. Townsend, a 65-year-old American executive who came from Bechtel Corp.

A spokesman for the airport, Clinton Leeks, apologized for the foul-ups. He added that the problems in the passenger terminal were abating.

The trouble is, people here are not in a generous mood. Hong Kong's economy is sliding into its worst recession since World War II, with soaring unemployment, a swooning stock market and a crashing property market. Aside from a brief burst of enthusiasm during the visits of Mr. Jiang and Mr. Clinton, Hong Kong has had a listless year since

it reverted to China last July.

The government clearly hoped the new airport would be a tonic for its city and a symbol of its brighter future. Certainly, the project has an only-in-Hong-Kong feeling to it. Engineers chopped the tops off two small islands, filled in the water between them, and put a massive airport on top.

The government even turned the move from the old airport to the new one into a sideshow with a vast overnight portage of equipment through Kowloon that officials delighted in comparing to D-Day.

"The government built up public expectations so much before the event that people were expecting perfection," said Ian Perkin, chief economist at the Hong Kong General Chamber of Commerce.

There was also a whiff of hubris. Malaysia opened a new airport two weeks ago in Kuala Lumpur — with state-of-the-art technology similar to that in Hong Kong — and suffered major problems. Yet Hong Kong plowed ahead with its plan to open its airport immediately after the first anniversary of the handover.

Mr. Perkin said the airport fiasco would hurt more than Hong Kong's image. The airport's largest cargo handler said Thursday that it was imposing an eight-day embargo on all imports and exports, except food, medical supplies and newspapers. He estimated that the embargo would cost Hong Kong nearly \$800 million in lost exports.

■ Air Security Is Reported

The Hong Kong government said Sunday that it was investigating reports of security breaches at the new airport, but insisted the facility met with international safety standards, Agence France-Presse reported.

"There is no question of the new airport's breaching international aviation security standards," a government spokesman said. The denial came after the South China Morning Post reported that a KLM flight left on Wednesday carrying the bags of two passengers who failed to board. That would have breached International Civil Aviation Organization security requirements.

China Seizes Challengers To the Party

Dissidents Assail Regime And Clinton's 'Betrayal'

Compiled by Our Staff From Dispatches

BEIJING — Chinese dissidents reacted angrily Sunday to the detention of five pro-democracy activists who tried to set up a political opposition party during the visit of President Bill Clinton.

The police in the eastern city of Hangzhou detained nine activists who had made a bold bid to register the Chinese Democratic Party, but a human-rights group based in Hong Kong said Sunday that four of the detainees had been released. All nine were seized on Friday.

"The Chinese government has again demonstrated to the world that they have no credibility," the Free China Movement, based inside the country, said in a statement signed by 142 dissidents inside and outside China.

"We sternly condemn the Clinton administration's unprecedented betrayal of freedom" by Mr. Clinton's praising an improvement in human rights during his visit to China, it added.

The visit had raised hopes among human-rights activists that Beijing would reward Washington for closer ties by releasing jailed dissidents.

But two weeks after Mr. Clinton left China, the country's Communist rulers rounded up activists and denied reports of plans for political reform, signaling limits to their tolerance of dissent.

The Information Center of Human Rights and Democratic Movement in China, based in Hong Kong, said it appeared that at least three of those still being detained could face punishment for their challenge to Communist one-party rule.

Noting that the police have notified prisoners' families to "send clothing over," Li Siqing, the center's founder and spokesman, said: "It is possible that these three could be sentenced to jail time or labor reform. That they have been told to have clothes sent over means the police have entered an investigative phase."

The three included Wang Youhai and Wang Donghai, both jailed after the 1989 crackdown on pro-democracy demonstrators in Tiananmen Square, and Zhu Yufu, who tried to hand out copies of the party's manifesto on the streets of Hangzhou, Mr. Lu said.

Two other dissidents, Zhu Zhengming and Cheng Fan, were still being held by the police with no word on their condition, Mr. Lu said. Those released, on Saturday night, were Fang Xiaohuang, Wang Pei, Wang Qiang and Wu Gaoxing.

The center said the police had accused the dissidents of trying to overthrow the government. That charge carried a minimum sentence of 10 years, it said.

China has recently managed to convey the impression of a more open society, and even dissidents who were disappointed that Mr. Clinton did not meet with them said his emphasis on human rights and liberty was helpful.

But in a statement that appeared to stifle hopes for liberalization, China's official press agency last week dismissed as "groundless" media reports that a government research organization was drawing up a plan for democracy.

(AP, Reuters)

The New Cold War in South Asia?

By Steven Erlanger
New York Times Service

WASHINGTON — The nuclear arms race between India and Pakistan is an uneasy and unwelcome test of how to get along in a world where nonproliferation appears to have failed.

When the United States and the Soviet Union confronted one another at the beginning of the nuclear age, they faced a similar test. With time, they stumbled into a doctrine of "mutual assured destruction," and it became their best guarantee of security. They never used the ultimate weapon against one another. In fact, they never fought directly in a hot war of any kind.

So mutual assured destruction — the doctrine that two adversaries armed to the teeth with nuclear weapons won't go to war because they know they can't win one — became as good a theory as the world had for how to make a nuclear stand-off stable.

Can it work just as well between India and Pakistan as it did between the United States and the Soviet Union?

Most of those in Washington who worry about such questions are, unfortunately, gloomy. Like Deputy Secretary of State Strobe Talbott, they are working — and hoping against hope — to convince the Indians and Pakistanis to stop where they are, halting testing and refrain from turning their nuclear knowledge into weapons. That hope was not bolstered last week when Congress, out of deference to American farmers, voted to lift sanctions on grain sales to India and Pakistan that had been intended to punish them for their nuclear tests.

Joseph Cirincione, director of the Nonproliferation Project at the Carnegie Endowment, says that every time the Pentagon has conducted a war game

between a nuclear-armed India and Pakistan, the result is a nuclear exchange, something that does not happen between Iran and the United States or Russia and the United States.

"I'm sorry to say, but South Asia is fundamentally different than the United States and the Soviet Union," Mr. Cirincione said. "If both India and Pakistan deployed nuclear weapons, I think it would almost certainly lead to a nuclear exchange in combat."

The problem, senior U.S. officials and analysts say, is not India, per se, nor even the smaller and altogether more fragile nation of Pakistan, but their history, proximity and relatively primitive technology.

All of these factors, they say, argue against South Asia achieving the kind of stability that allowed Russians and Americans to survive the Cold War.

Even during the Cold War's 40 years, there were some terribly close calls, most notably during the 1962 Cuban missile crisis, when senior U.S. military officials urged President John F. Kennedy to use nuclear weapons against the Soviets. That raises the question of what role chance played in the decisions that kept the peace once the brink of war was reached, and whether it is just arrogance to say, in hindsight, that it was inevitable that the Americans and Soviets, for reasons of culture and sophistication, would pull back.

Here are the major reasons why some experts on the Cold War are so worried about South Asia:

- Unlike India and Pakistan, Washington and Moscow share no common border, let alone a disputed one, and had a considerable buffer zone between them oceans in the first place, and Eastern Europe in the second. This, the experts believe, gave Washington and

Russia a margin of error. Major explosions at ordnance factories in Pakistan. What if there was a major explosion at a nuclear storage site, or a major accident at a missile production or storage facility? What would be the pressures then?"

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EUROPE

Kosovo Rebels Get Flood of ArmsBy Chris Hedges
New York Times Service

PRISTINA, Yugoslavia — Separatist rebels have acquired large arsenals of anti-tank and anti-aircraft weapons that are shifting the balance of power in the ethnic war in Kosovo Province.

The new firepower has thwarted the recent Serbian drive against ethnic Albanian enclaves, left the army and the police reeling from casualties, allowed the guerrillas to inch forward toward key towns and probably ensured the conflict will last months if not years.

"Events are moving so fast on the ground that we may not be able to find a solution to halt the fighting," a Western diplomat said. "The military balance has changed dramatically."

In a reference to NATO's threats of air strikes to stop the fighting, the diplomat added, "Any intervention would only assist a rebel force that, at this point, needs no assistance."

While the rebels are guarded about letting outsiders view stocks of weapons smuggled over the border from Albania, there has been a noticeable proliferation of rocket-propelled grenades and the highly accurate German anti-tank weapon known as the Armburst.

A rebel in Smonica, lifting the grayish-green tube, showed the snap-out informational display on the German weapon with a series of tanks of various sizes profiled on the sight.

"You match the target with the profile and fire," said the rebel, who uses the name of Wolf.

"You don't miss much with this

weapon," he said. "We have taken our four Serbian tanks, three troop carriers and two Praga anti-aircraft vehicles. More than 80 Serbian soldiers have been killed. We have yet to lose a fighter."

The numbers of deaths and vehicles destroyed could not be verified.

The Serbian special police force and soldiers deployed in the province have suddenly become very skittish about going into areas held by the rebels.

Convoys of armored vehicles move through rebel-held areas, rarely leaving the blacktop roads and take both sides of the highway with heavy machine-guns fire to ward off any attackers.

The Serbs had intended their most recent assault on the Kosovo rebels to be the blow that crushed the ethnic Albanian rebel movement.

Yugoslavia has about 50,000 troops in Kosovo, a combination of Yugoslav Army soldiers and special police officers. And the Serbs have the superior resources of the Yugoslav Army to draw on, if they choose.

But the rebel movement is growing in numbers and in strength, fed by recruits, money and arms from outside Serbia.

The rebels may not have the power to win a secessionist war against Serbia, but with arms and money they can keep up their resistance and draw out the conflict.

The mounting strength, coupled with the rebels' decision to alter their tactics and resort to actions like kidnapping Serbian civilians and attacking Serbian villages, has made the NATO allies deeply reluctant to consider carrying out

air strikes to end the fighting at this time, diplomats said.

The Western sources said that the new developments that shifted the balance of the fighting have also clearly demoralized Serbian forces, who are suffering casualties of at least half a dozen a day.

There are increasing reports of Serbian desertions and one rebel in Smonica was wearing a Yugoslav Army uniform he said was left in the woods by a soldier who had changed into civilian clothes and fled.

The Kosovo Liberation Army, despite its shoddy organization and lack of military acumen, is apparently blessed with large sums of money sent by ethnic Albanians overseas, an inexhaustible supply line over the mountains from Albania and thousands of recruits.

Rebel soldiers, in full uniform with the red and black patch of the Kosovo Liberation Army, pull thick wads of Deutsche marks from their pockets.

There are also signs that the arrival of dozens of former professional soldiers, as well as foreign mercenaries, are rapidly turning the ragtag band into a viable military force of several thousand fighters.

The commander in Smonica, for example, a man in his 40s who goes by the name Besnik, was a senior career officer in the old Yugoslav Army. He had in his command a former army instructor for anti-tank weapons.

His force of several hundred fighters has steadily increased the territory under its control, often by advancing a short distance each night, persuading the Serbs to pull back to avoid battle.



TECHNO IN BERLIN — A worker clearing up after the annual "Love Parade" festival of techno music in Berlin on Sunday, which attracted a million people.

BRIEFLY

Mob Attacks Italian Politician

ROME — An Italian far-right politician was attacked in central Rome by a mob protesting the death in jail of a woman alleged to be a member of an anarchist group, police sources said.

Teodoro Buontempo, a parliamentary deputy for the National Alliance, was assaulted by a group of more than 20 young anarchists as he left a restaurant late Saturday, sources said. He was punched several times, receiving minor injuries to his left eye. Three police officers were also treated in hospital for minor injuries. Four people were arrested.

Maria Soledad Rosas, 22, an Argentine, was awaiting trial concerning attacks on Italian installations, was found dead Saturday. She is believed to have hanged herself. Her boyfriend, Edoardo Massari, 35, an Italian anarchist, hanged himself in jail in March. (AFP)

Bildt's Popularity Slips Slightly

STOCKHOLM — More Swedes want Carl Bildt, the opposition party leader, to be the next prime minister than incumbent Goran Persson, but support for him has fallen, a poll published Sunday showed.

Support for Mr. Bildt, who heads the conservative Moderate Party, has fallen 5 percentage points to 27.9 percent since last month's survey, a Gallup poll published in the daily Expressen showed.

But only 20.7 percent of 1,000 Swedes surveyed in July said they wanted Mr. Persson, the Social Democrat leader, to keep his job after the Sept. 20 general election, 2.4 percentage points down on a month ago. (Reuters)

For the Record

President Jorge Sampaio of Portugal and the Aga Khan, the religious leader of the world's Ismaili Muslims, opened Europe's first Ismaili center in Lisbon. Ismailis first arrived in Portugal in the 1960s.

Swiss President Rebuffed Urgent U.S. Appeal for Help in Settling Holocaust ClaimsBy David E. Sanger
New York Times Service

WASHINGTON — Late on a Friday night two weeks ago, just before months of bitter negotiations between Switzerland's three major commercial banks and Holocaust survivors collapsed, one of the Clinton administration's most senior diplomats placed an urgent call to the president of Switzerland, Flavio Cotti.

The diplomat, Stuart Eizenstat, undersecretary of state for economic affairs, told Mr. Cotti that the two sides were narrowing their differences. But after talks in New York and Washington, neither side was willing to move further.

The Swiss government, Mr. Eizenstat said, had the power both to speed a settlement and to end a 50-year-long chapter of its history that had tarnished Switzerland's reputation around the globe. He urged Mr. Cotti to reverse a long-held position and have the Swiss government contribute to a "global settlement" with Jewish groups and with Holocaust victims and their heirs.

He even suggested a figure: more than \$300 million, a large sum but only a fraction of the \$2.8 billion in Nazi gold, measured in today's values, that a Swiss historical commission recently concluded had been received on behalf of Nazi Germany by the Swiss central bank.

Mr. Cotti refused.

While Mr. Eizenstat declined to provide details, he said "no common understanding was reached" in the conversation. "It is our impression that the cycle of accusation and counteraccusations had substantially hardened opinion in Switzerland," he said.

Thomas Borer, the Swiss ambassador for Holocaust issues, said: "The mood in

Switzerland has changed in the past year, and Cotti explained this," Mr. Borer said in a telephone interview. "Most Swiss don't even want to talk about a global settlement. They know that whatever we do, no one gets credit."

Several participants in the negotiations say Switzerland's refusal to consider joining the private banks in settling the legal claims helped scuttle an agreement. There are indications that talks could resume in a few months, as New York and California begin to carry out sanctions against Swiss businesses operating in the United States.

Mr. Eizenstat's unusual, direct appeal to Mr. Cotti and talks between U.S. and Swiss diplomats had echoes of an earlier time. In 1946, the State Department tried to get Switzerland to disgorge the huge profits it accumulated when it served as banker to Nazi Germany, taking in stolen gold, jewelry, art and other property.

The result was an agreement called the Washington Accord, now regarded as a diplomatic fiasco, in which Switzerland agreed to turn over a small part of its holdings to repay countries invaded by Germany and to aid refugees. But it never fulfilled major parts of the accord.

Senator Alfonse D'Amato, Republican of New York, has scheduled hearings this month on the question of whether the United States should try to reopen the Washington agreement, a step the Clinton administration has been loath to take, saying that it would irreparably breach the U.S. relationship with the Swiss.

Mr. Eizenstat has been scurrying to avoid that. All spring, he acted as a go-between in the negotiations between the three big private Swiss banks — Union Bank of Switzerland, Swiss Bank Corp. and Credit Suisse — and the plaintiffs

who are suing them. In early June, just before the New York State Banking Commission was supposed to consider an application for the merger of Union Bank of Switzerland and Swiss Bank Corp., the banks began to offer larger settlements. But they had a condition: Before Mr. Eizenstat could convey their offer of several hundred million dollars, the banking commission had to approve the merger.

Mr. Eizenstat informed the World Jewish Congress that he was in possession of "a firm and concrete offer from the banks" that would be conveyed after the merger was approved. With that assurance, the Jewish groups said they would drop their objections to the merger. The banks, pushed further by Mr. Eizenstat, ultimately offered \$530 million for a "rough justice fund" that would pay the plaintiffs and be used to help indigenous Holocaust survivors. The Jewish groups, however, were looking

for something closer to \$1.5 billion, and dismissed the banks' offer.

Some of the plaintiffs asserted that the banks, having received the merger approval, were no longer motivated to increase their offers significantly. The banks, in turn, charged that the Holocaust survivors and Jewish groups were trying to obtain more money with threats of bad publicity and possible economic sanctions against the banks.

In fact, a meeting to impose sanctions, headed by Alan Hevesi, the New York City comptroller, loomed in late June, prompting Mr. Eizenstat's call to Mr. Cotti. He offered a rationale: The state-owned Swiss National Bank received more than 85 percent of the gold deposited by Nazi Germany. But Mr. Cotti refused to bring the issue in front of the legislature, saying it would only further inflame public opinion.

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INTERNATIONAL

In Nigerians' Resentment, a Feeling That Washington Must Fill a Void

By Roger Cohen
New York Times Service

LAGOS — Amid the turmoil here that has followed the death of the opposition leader Moshood Abiola, there lurks a simmering anger against the United States, which was so conspicuously present at the moment of Mr. Abiola's demise, but generally absent as Nigeria slipped into the abyss.

"Where was America over the past four years while my husband was in jail?" asked a grief-stricken Boede Gloria Abiola as she mourned at Mr. Abiola's home. "America has done nothing and I find it very strange and suspicious that at the very moment when he died, American officials were watching."

Mrs. Abiola's sentiments are by no means isolated. Femi Falana, a prominent opposition lawyer well known at the U.S. Embassy here, has gone as far as to demand the detention of the undersecretary of state for political affairs, Thomas Pickering, who was with Mr. Abiola on Tuesday when he died of what pathologists now say was cardiac arrest. "He is needed here as a witness," Mr. Falana said.

Of course, grief and frustration are at fever pitch among Mr. Abiola's followers, and Amer-

ica may be no more than a convenient target. But the extraordinary shifts here over the past month — from repressive dictatorship to tentative opening from hope that Mr. Abiola would be freed to disorientation at his loss — have underscored the challenge now being posed by Nigerians for America to rethink its relationship with Africa's most populous nation.

That challenge is being posed most clearly by the very people angriest about Mr. Abiola's death: beneath the expressions of suspicion and resentment they direct at the United States lies a sense that a closer involvement by Washington from now on may be Nigeria's best hope for assuring a passage to democracy.

Put bluntly, there is a void here, and it seems that if America does not move to help fill it, an already tense situation could become more dangerous.

While General Abdulsalam Abubakar, the new military leader, is talking of "the imperative" of democracy, there are no credible political parties, scant recent tradition of democracy, no surviving figure with the breadth of appeal of Mr. Abiola and serious ethnic tensions.

"The whole transition will be treacherous and

will require an international monitoring process in which the United States could play a leading role," said Clement Nwankwo, an opposition lawyer.

Nigeria lies at the distant antipode of President Bill Clinton's "new Africa," the land of promise and economic change energetically showcased on the president's recent visit to several African states.

Indeed, this country, which Mr. Clinton avoided, amounts to towering testimony to just how deep into misery a potentially wealthy nation can be dragged by mismanagement, corruption and oppression.

There is no gas at the pumps here although Nigeria is a major exporter of oil, earning over \$10 billion a year in hard currency from oil sales. Power cuts are frequent; some telephone lines simply lie collapsed on the street.

Street hawkers sell everything from bifocals to calculators in a bid to get by. Markets sell slabs of meat beside open sewage in central Lagos. The education system, once one of Africa's best, is falling apart. "Nobody wants to be a teacher," commented a weary Lagos resident. "Everyone wants to be a customs officer because of the bribes."

Such disintegration — moral, social and eco-

nomic — reflects the five years of ruinous rule of General Sani Abacha, who died unexpectedly last month of what was officially called a heart attack.

The United States imposed sanctions on Nigeria while the general ruled, and called periodically for Mr. Abiola's release after he was imprisoned in 1994.

Finally, with General Abacha already dead, Mr. Pickering came to press personally for Mr. Abiola's release, but, in the words of one official here, "he scarcely managed to get past the formalities."

It is, however, what America did not do over the past few years that made some Nigerians sicker with the anger they expressed when Mr. Abiola died.

While Mr. Abiola was in jail, U.S. calls for his release were not accompanied by any insistence that Nigeria should respect the results of the presidential election that Mr. Abiola appeared to have won when the army annulled it in 1993. A certain U.S. ambivalence about the opposition leader often seemed to prevail.

And the Clinton administration avoided invoking the most potent potential weapon of protest: U.S. sanctions on Nigeria's oil exports. Indeed, U.S. oil companies sharply increased

their investments here to about \$7 billion during the Abacha years.

"The anti-Americanism is a source of concern," an official said in Lagos. "It is not that widespread, but it is more widespread than I would like to see it."

Clearly, for many Nigerians, the most tangible contribution the United States could now make would be to coax General Abubakar to adopt a fairly rapid timetable for a shift to democracy and then oblige him to stick to it. The general has made clear that he wants to get sanctions lifted, particularly those that prevent Nigeria from buying military spare parts. That seems to give the United States some leverage.

Nigeria's new ruler attended military training programs in the United States and officials said he is generally viewed as well disposed toward Washington. For now, he appears to have convinced U.S. officials of his good faith.

But what appears to loom for the Clinton administration, in this nation of 105 million people, is a critical test of the relative weight it gives to its political and economic interests.

The U.S. investments here in oil are huge, and to be viable they depend on stability. But the promised Nigerian shift to democracy will be an inherently unstable process.



Family and other members of a Lagos mosque praying Sunday at the grave where Moshood Abiola was buried.

U.S. Speculates Abacha Was Poisoned

By Tim Weiner
New York Times Service

WASHINGTON — Some U.S. intelligence analysts say there is evidence that General Sani Abacha, the Nigerian dictator who died unexpectedly last month, was poisoned while in the company of three prostitutes, according to U.S. officials.

Nigeria's military rulers reported after General Abacha's death that he had died at his villa after a heart attack. The contrary view reached by some U.S. government analysts, while far from unanimous, is that he may have been killed by enemies in his notoriously corrupt and authoritarian military circle.

Reports that General Abacha might have been killed were published on the MSNBC web site, quoting NBC News.

A U.S. official said flatly that the rumors were true, citing an analysis of intelligence and other reports from inside Nigeria. The analysis included reporting from U.S. government agencies with sources inside the Nigerian military.

But another U.S. official said the reports were only "semi-credible" and not "definitive evidence."

And a third administration official said, "There are some doctors in the

employ of the CIA who, when the description of the body was given to them, said it could be consistent with poisoning." The official, who does not work for the CIA, said, "We still don't have any firm evidence."

Government officials declined to detail how they gathered and analyzed evidence that the general might have been poisoned.

Rumors and reports that the general was poisoned have been circulating in Nigeria for weeks.

"We've heard rumors that General Abacha was poisoned while drinking juice, carousing with young women, eating an apple, even experimenting with Viagra," a Western official in Nigeria said.

One account of the general's death drawn by some government analysts here depicts him being entertained by three prostitutes at the residence of a senior Nigerian official in the capital during the weekend of June 6-7. In the company of the second of the three women, according to this account, he met his death by poison.

In this version, based on reporting from U.S. government agencies with sources inside the Nigerian military, it is unclear what the poison was or how it was administered. But it is thought that the source of the poison might be an

officer or a clique of officers who believed that the general's hold on power was destroying what little good name the army had left.

If the analysts' conclusion is correct, it raises questions about the sudden death last Tuesday of Moshood Abiola, the long-imprisoned leader of Nigeria's repressed political opposition. The military has also attributed Mr. Abiola's death to a heart attack, but his family and some of his supporters say they suspect homicide.

General Abacha, 54, seized power in 1993. But he had been instrumental within the military regimes ruling Nigeria since 1983. He had long promised that there would be a transition to a civilian government, but this spring, he forced the nation's five legal political parties to nominate him as the sole presidential candidate.

General Abacha's successor, General Abdulsalam Abubakar, also has made promises to return the country to civilian rule.

It remains unclear if, or how, the 27-member Provisional Ruling Council, which is the political machine behind the military regime, will permit democratic elections. Nigeria's military has ruled for 28 years of its 38 years of independence, earning a reputation for brutality and corruption.

In this version, based on reporting from U.S. government agencies with sources inside the Nigerian military, it is unclear what the poison was or how it was administered. But it is thought that the source of the poison might be an

Mr. Schuler was in charge of measuring instruments on the test stands and rockets during static firings, Mr. Dannenberg said. He was also in charge of flight instrumentation, guidance and control on rocket flights. He retired in 1969.

About 30 to 40 members of the original Von Braun team are still living, Mr. Stuhlinger and Mr. Dannenberg estimated.

About a dozen live in Huntsville, and the rest are scattered around the United States.

IN FRANCE

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TO OUR READERS

Israel Says Coca-Cola Is Safe

Reuters

BNEI BRAK, Israel — The Health Ministry said Sunday that its tests showed it was safe to drink Coca-Cola after the discovery of foreign chemical traces prompted the company to recall tens of thousands of bottles.

The ministry said some bottles probably became contaminated while they were stored at a shop in the central town of Rehovot, where a family of five took ill after drinking Coke.

Abiola Autopsy Shows Heart Disease

In Preliminary Report, Western Doctors Find No Evidence of Poison

By Roger Cohen
New York Times Service

LAGOS — American and other Western doctors who completed an autopsy on the body of Moshood Abiola, the Nigerian opposition leader who died in detention Tuesday, said they had found no evidence of poisoning and concluded that his death was caused by heart disease.

The preliminary report, anxiously awaited by an angry and disoriented nation, showed that "there was severe long-standing disease of the heart of a type and severity that can cause unexpected death," said Dr. James Young, chief coroner of the province of Ontario.

The results, confirming the official account of Mr. Abiola's death given by the Nigerian military government, seemed unlikely to assuage Nigerians, who have reacted with fury to the death of the opposition leader on the eve of his promised release by the new military ruler, General Abdulsalam Abubakar. Nigeria, Africa's most populous nation, has been ruled by military governments for all but 10 years of its 38 years of independence.

Mr. Abiola, who appeared poised to win presidential elections in 1993 when the armed forces annulled the vote, in-

carnated the country's long-frustrated hopes for democracy. He was imprisoned by the military government on charges of treason in 1994.

Dr. Young, who headed a five-man team including two American doctors and an American technician, said Saturday that after a detailed examination of the body, including the abdomen, chest and brain, and after conversations with witnesses present at the time of death, "We believe that poisoning is extremely unlikely."

But he added that for the sake of complete certainty, toxicological examinations of samples taken from the body would be performed at the Center of Forensic Science in Ontario. He said that tissue samples would also undergo microscopic examination in London and that a final report would be issued in three weeks.

Family members and followers of Mr. Abiola have argued that he was poisoned, pointing to the cup of tea he drank with the U.S. undersecretary of state for political affairs, Thomas Pickering, and other U.S. and Nigerian officials shortly before he was taken ill.

But Dr. Young said nothing that happened on the day of Mr. Abiola's death, or that was in his body, "leads us to believe that poisoning was a factor." He added, "At this time, our prelimi-

nary opinion is that death was due to natural causes as a result of his long-standing heart disease."

Mr. Abiola, 60, had never had a heart attack before. Dr. Young said his team had not been given any written medical reports compiled during the opposition leader's four years in detention, but had talked to Nigerian medical officials who said they had seen him in those years.

"For me, it's irrelevant," Kola Abiola, the opposition leader's son, said of the autopsy. "You don't have to poison a man, you don't have to spike his tea, to kill him. My father was locked up for four years without proper medical treatment, and that is what leads to death. We know who was responsible for locking him up."

Dr. Young, who arrived in Lagos on Thursday, said the autopsy showed that Mr. Abiola had heart disease of two types, both of which could cause unexpected death. "There was severe narrowing of the main coronary arteries by fatty plaques," he said. "In addition, there was very significant enlargement of the heart due to long-standing hypertension."

The doctor declined to be drawn into discussing whether four years of imprisonment might have contributed to this hypertension by causing extreme stress.

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APRIL 1998

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INTERNATIONAL

End in Sight in Talks On West Bank Pullout

U.S. Pushes Israel as Many Hurdles Remain

By Steven Erlanger
New York Times Service

WASHINGTON — It may be one of the longest endgames in recent diplomatic history, but Israeli and American officials say they expect a conclusion to negotiations on an Israeli pullback from the West Bank by the end of this month.

What they refuse to predict, though, is whether the conclusion will be successful.

Secretary of State Madeleine Albright has spoken to Prime Minister Benjamin Netanyahu of Israel at least seven times in recent days, and some of their conversations have been heated, officials said. She spoke to the Palestinian leader, Yasser Arafat, last week in what her spokesman, James Rubin, called intensive negotiations for a deal the United States has been pushing for nearly a year.

"Whether we achieve success is very much an open question at this time," Mr. Rubin said.

To keep pressure on the Israelis, the Americans are resisting a request from Mr. Netanyahu to send the U.S. special Middle East envoy, Dennis Ross, back to the region. The Americans are concerned that a trip by Mr. Ross would make it seem that a deal was nearly done, and it is not, officials said.

Even so, the Americans intend to make "a real push" for a deal in the next 10 days or so, hoping to conclude one by the end of the month, officials said.

The American plan calls for an Is-

raeli withdrawal from a further 13 percent of the West Bank over 12 weeks, in return for specific and measurable Palestinian actions against terrorism, and an immediate start to negotiations on a final settlement with the Palestinians.

Mr. Netanyahu has regularly said that 13 percent is a threat to Israel's security. But he is expected to agree to a face-saving formula that will leave the last 3 percent in a more transitional status, preserving Israeli rights to provide security. This 3 percent includes some of the more isolated Jewish settlements and other strategic locations.

Whether the Palestinians will agree to such a formula is another question.

Other important gaps with the Israelis still remain, officials from both sides say. They include Mr. Netanyahu's insistence that the Palestinians convene their main decision-making panel to change their covenant, removing clauses that call for the destruction of Israel. The Palestinians argue that the necessary changes have already been made, as vouchered for in a letter to the Americans, and that nothing more is required.

Mr. Netanyahu is also not satisfied with extradition procedures for Palestinians charged with crimes by the Israelis. Currently, if a Palestinian charged with a crime by the Israelis is also under a Palestinian charge, there is no extradition, and the Israelis say Mr. Arafat ensures that there is always some pending charge against anyone the Israelis want to extradite.

"Israel is trying to make the American proposals workable from the



Moammar Gadhafi greeting Yasser Arafat on Saturday on a Libya visit.

standpoint of Israeli security," said Dore Gold, the Israeli ambassador to the United Nations.

As if those complications were not enough, it is not clear that the Palestinians will agree to all of what U.S. diplomats call refinements to the original American plan that have already been worked out with the Israelis.

To that end, two Palestinian negotiators, Saeb Erekat and Nabil Shaath, arrived in Washington last Thursday, invited by Mrs. Albright. But the Americans are also pressing Mr. Netanyahu and Defense Minister Yitzhak Mordechai of Israel to go over the changes with Palestinian leaders.

The Americans are arguing that Israelis and Palestinians will have to talk about these issues at some time. But the Israelis say that Washington should sell these refinements to the Palestinians, because they emerged from American ideas. "The Israelis are saying to us, 'Why don't you go sit on the Palestinians for the next six months the way you've been sitting on us?'" an American official said.

In the end, officials say, both Mrs. Albright and Mr. Netanyahu agreed to make separate but presumably coordinated approaches to the Palestinians.

On Saturday, Mrs. Albright made another appeal for Israeli-Palestinian dialogue. "We don't think that this impasse can be resolved if they do not talk with each other," she said.

2000: The Future Is Now as Wall Street Stages Mock Trading to Test Computer Reaction

Continued from Page 1

Many chips and programs do not accept a low number like 00 for the year 2000 or 01 for 2001 as valid dates that follow the 99 for 1999.

What complicates the problem is that computers often react to these unrecognized years in unpredictable ways. Some spew inaccurate data.

Others make faulty calculations. Some crash immediately. Others appear to function normally but then cannot be restarted until they have been shut down.

Computer specialists have talked about the millennium problem for decades. But only recently have businesses and public officials begun to recognize how widely dates are used in computing and to take seriously warnings that the dawn of the new century could see widespread disruptions in daily life, at the very least, and deadly accidents or perhaps a global economic recession if the millennium problem is not solved.

Because the securities industry is the first to conduct tests involving connections among many computer users and is

publishing vast amounts of information about the results on its World Wide Web site (www.sia.com), year 2000 experts say the results of these tests could end up having a huge effect on morale in the rapidly growing legions of specialists working on the problem.

"It's good that they are setting a standard of openness for the entire corporate sector," said Edward Yardeni, chief economist of Deutsche Bank Securities. Mr. Yardeni has become one of the highest-profile year 2000 pessimists, predicting a 70 percent chance of worldwide recession stemming from computer problems related to the millennium.

"If it goes badly, though, corporations may be more reluctant to share information, and more people are going to come around to my view of the risks," Mr. Yardeni said.

Those managing the securities tests are discouraging any attempt to draw broad conclusions from them. The managers point out, for example, that the tests will deal with very small volumes of fictional securities, and they describe the exercise as a mere dress rehearsal for

high-volume tests planned for next spring. Some major computer systems have been completely excluded, including those that manage dividends and interest, margin trading and client account records.

In addition, only the most common types of trades and securities will be tested this week, although separate tests have been scheduled for government bonds and a limited test already has been run on mortgage-backed securities.

"Dealing with this isn't rocket science, but there is a mountain of details," said Donald Kittell, executive vice president of the Securities Industry Association that is sponsoring the tests.

"People don't realize that a trade may go through 40 to 50 steps from start to finish."

The securities companies taking part in the tests account for about half the trading volume in stocks, bonds, options and other major financial instruments. Each agreed to set up a discrete computer operation to run the tests.

In the United States alone, securities companies are expected to spend \$3 billion to \$5 billion addressing year 2000

and related computer problems.

Yet, when the millennium actually arrives, Wall Street's ability to function will depend not just on the internal systems being tested but also on the preparedness of markets overseas, where many players offset any bets placed domestically.

Wall Street's success at ushering in the millennium also will depend heavily on the year 2000 readiness of New York City's power, water and telecommunications utilities, of the elevators leading to the trading rooms and of countless other systems that are beyond its ability to test.

All of this underscores what many computer experts consider one of the most troubling aspects of the year 2000 challenge. Each phase of the millennium problem—from identifying vulnerable systems to testing fixes—has proved more complicated, time-consuming and expensive than had been expected.

"It would be a setback if this doesn't go well," said William Ulrich, a year 2000 consultant in Soquel, California, "because these guys are way out in front."

FIRE: Ulster Stunned by Killing of 3 Boys

Continued from Page 1

Some Orangemen said the British government was to blame for blocking the parade, which led to the outbreak of violence. Others said that Protestant paramilitaries must have had a hand in the arson. But in the town of Ballymoney, people walked quietly, stunned, some weeping, around the mostly Protestant public housing complex, Carnaby Estate.

They stared up at the scorched outside walls and windows of the room where Richard, 11, Mark, 9, and Jason, 8, had been sleeping when the arsonists put a flaming gasoline bomb through the back downstairs window of the house.

Their father, John, was believed to be in England, where he works.

At Drumcree, in Portadown, where the Orangemen have been attacking police blocking the road to the Catholic area, a few Orange Protestants said the killing might decrease the number of protesters, particularly on Monday, when about 500 Orange parades take place in the province to celebrate the 17th-century victory of Protestants over Catholics in the Battle of the Boyne.

But the prevalent view seemed to be that of a 41-year-old civil servant, who declined to give his name for fear of reprisals. He said the protests must continue at Drumcree because "if the Orangemen are beaten here, they can never wear their collars again," a reference to the flat orange or gray stoles they wear when they march.

The police said the suspect, who was not immediately identified, was a member of the 32 County Sovereignty Committee, a dissident hard-line Roman Catholic group opposed to the peace settlement in Northern Ireland and to support for the settlement by Sinn Fein, the political wing of the Irish Republican Army.

The name envisions the six counties of Ulster united with the 26 counties of the Irish Republic. The group's best-known member is Bernadette Sands McKittrick, the sister of Bobby Sands, a famous martyr to the Irish republican cause who died in May 1981 in a hunger strike defying British treatment of Irish prisoners.

In Friday afternoon's raids, the Irish police arrested a man and a woman in Dublin and another man in Dundalk on the border with Northern Ireland.

The English police and members of the MI5 security force seized a woman on Oxford Street, London's main shopping area; a man and a woman outside the new British Library near St. Pancras train station; the man entering the university language-study building on Gower Street; and two men across Blackfriars Bridge on a street outside a supermarket in the South London borough of Southwark.

The arrests in London appeared to have been set off by information gathered by the Irish police in Dundalk earlier in the day.

"It's a matter of our freedom, our right to walk on the queen's highway," he said.

The arson came a few hours before a government commission denied an appeal by the Orange Order to hold the march at Drumcree. The two leaders of the Assembly, David Trimble, a Protestant, and Seamus Mallon, a Catholic, urged the Orangemen to go home.

■ Bomb Plot Foiled in London

Warren Hoge of The New York Times reported earlier from London:

In a coordinated sweep, the police in Ireland and England arrested nine people Friday and said they had foiled a plot to bomb central London, with only moments to spare.

John Grieve, the head of Scotland Yard's anti-terrorist branch, said three of the men had been caught with "explosive devices" in their possession, apparently in bags and backpacks. One was seized as he tried to enter University College London, a possible target. "We believe these terrorist devices were intended to be used in London within minutes," he said.

Six of the suspects remained in custody Sunday night, AFP reported.

The police said the suspects, who were not immediately identified, were members of the 32 County Sovereignty Committee, a dissident hard-line Roman Catholic group opposed to the peace settlement in Northern Ireland and to support for the settlement by Sinn Fein, the political wing of the Irish Republican Army.

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JAPAN: Hashimoto Seems Set to Resign

Continued from Page 1

elections usually merit little attention here. In the far more powerful Lower House, the LDP still holds a comfortable 13-vote majority. The lower house controls government policies, including banking and financial reforms, and it is the body that chooses the prime minister.

The LDP secretary-general, Koichi Kato, in a television interview Sunday night, appeared to try to calm international investors who worry that this change in leadership could mean further delays in addressing the economic problems. He said that promised reforms, especially those in the ailing banking industry, "will go forward."

Ronald Morse, a professor at Reitaku University, said: "Will Japanese policies fundamentally change? I don't think so. Fundamentally, it will stay on the same course."

"Upper house elections have always been the Japanese option for protest, because the upper house doesn't mean anything, so if it's a cheap shot that sends a message," Mr. Morse said.

The LDP's loss will almost certainly delay banking, tax and financial reforms announced under the Hashimoto administration while party leaders focus on who will be the next prime minister. The void in leadership and the uncertainty over which LDP elder will be tapped to replace Mr. Hashimoto will only heighten concern about Japan's ability to repair its economic problems, which is threatening to drag down economies from Wall Street to Moscow.

A U.S. official said the leadership turnover would certainly "lead to a new round of American anxiety about Japan."

Japan does not have a functioning two-party political system. Instead, it has a single dominant party, the LDP, and a collection of small opposition parties who split into antieablishment vote Sunday.

The appointment of either of the most likely replacements for Mr. Hashimoto is seen as a step backwards into patronage politics that would be greeted harshly by jittery global financial markets.

Foreign Minister Keizo Obuchi is nondescript even by standards in Japan, which had had string of largely forgettable leaders until Mr. Hashimoto's appointment in January 1996. Mr. Obuchi, 61, is seen as a party functionary with little economic expertise. His chief claim to fame is seniority, having served

in Parliament since he inherited his father's seat in 1963.

Seiroku Kajiyama, 72, a former chief cabinet secretary, is seen as more intellectually facile than Mr. Obuchi, but still less capable and dynamic than Mr. Hashimoto, and a symbol of old-style Japanese politics.

Commentators said Sunday night that a dark-horse candidate, like Yohei Kono, a former LDP president, could also emerge from meetings of the party leadership scheduled for Monday.

By dealing the LDP such a stunning defeat, voters defied conventional wisdom here in several ways. First, many analysts said that the Japanese public has not fully comprehended the depth of the financial crisis it faces. The Japanese banking system is heavily burdened with bad loans and sits on the verge of collapse, businesses are failing at record numbers and unemployment is growing. But the average individual Japanese still has remarkably high personal savings and enjoys relative affluence, so few were thought to have focused on the economic problems. The vote suggests otherwise.

Also, many analysts had said that in times of trouble, the Japanese turn conservative and retreat to the familiar. In Japan, nothing is more familiar than the LDP, which led Japan's growth from World War II basket-case to the world's second largest economy during almost 40 years of single-party rule. Voters dumped the LDP at 1993 largely because the party had become corrupt and arrogant, but it had won back almost all the support it lost five years ago. By giving the LDP its most thorough defeat since 1993, voters were clearly rejecting old familiar ways.

Unlike the 1993 election, voters Sunday did not seem to be dumping the LDP in favor of a popular opponent. A chief beneficiary of the protest vote was the Communist Party—not so much because the Japanese favor a Communist style of government, but because the Communists were the one party that seemed organized and thoughtful about its policies.

The LDP had staged a major offensive to get out its party vote, with Mr. Hashimoto leading the charge on the campaign trail until the last possible minute. LDP leaders were clearly spooked last week when a poll in the influential Nihon Keizai Shimbun newspaper showed support for the LDP at just 28.5 percent. As a result, the LDP sent every one of its officials in Parliament out to campaign for the party.

INDONESIA: Habibie Tightens His Grip

Continued from Page 1

Sarwono Kusumadewa, a former government minister who became an outspoken critic of abuses of power under Mr. Suharto.

"It will be a big help for Habibie in ensuring a smooth meeting of the People's Consultative Assembly later this year."

The special session of the assembly in November is expected to approve a date for general elections, tentatively scheduled for May. It is also expected to approve reforms in electoral laws and other regulations that limit political opposition in Indonesia, as Mr. Habibie has promised.

In one immediate sign of change on Saturday, a son and daughter of Mr. Suharto lost their posts in the party hierarchy. The Golkar congress also decided to abolish a board of patronage headed by Mr. Suharto, severing his links with the party.

But the Indonesian political analyst and television commentator Wimar Witmar, noting that Mr. Akbar's candidacy had been promoted and supported by Mr. Habibie, the bureaucracy and the armed forces, said: "As in the past, the government is consolidating power at the top, rather than listening to the mood from below. There has been no change in political culture. Mr. Suharto's political system is still very much alive."

Golkar is by far the largest party in the Parliament, which accounts for half the seats in the 1,000-member assembly, Indonesia's highest constitutional body. Most of the other 500 seats are filled by appointment by the president, who has already exercised his right to replace several Suharto appointees with his own choices.

Mr. Habibie has said that a reconstituted assembly will meet at the end of 1999, after parliamentary elections, to elect a new president and vice president.

Evidently in a sign of newfound confidence in his own political longevity, Mr. Habibie said in a weekend interview, he had not ruled out running for a second term. He had previously said on several occasions that he would not stand again.

The ballot Saturday was the first for a

chief of the Golkar party since it was formed in 1964. In the past, chairmen were chosen by Mr. Suharto and a small group of advisers, and then endorsed by the party machine.

In his 32 years in power, Mr. Suharto used Golkar to dominate a compliant Parliament and legitimize his authoritarian rule. Mr. Habibie has pledged to move to a more open and pluralistic system.

INTERNATIONAL

A Fuzzy Role for U.S. Military

*Overseas Exercises Often at Odds With Washington Diplomacy*By Dana Priest
Washington Post Service

WASHINGTON — On the day before Pakistan exploded five underground nuclear bombs in May, while President Bill Clinton was urgently warning leaders in Islamabad that an atomic test would bring worldwide isolation, the United States military was quietly pursuing its own agenda just outside the Pakistani capital.

At the U.S. Army general command at Rawalpindi, officers from both countries finished plans to bring together 60 American and 200 Pakistani special operations forces for small unit exercises outside Peshawar near Afghanistan and for scuba attacks on mock targets in Mangla Lake, on the edge of the contested mountain region of Kashmir.

"Inspired Venture," as the exercise is called, is still scheduled for August, despite U.S. sanctions imposed in retaliation for the nuclear blasts. Since 1993, similar ventures between the American and Pakistani militaries have also sidestepped earlier sanctions by Washington intended to punish the country for its nuclear program.

The Pakistani case is not unique. Under a 1991 law exempting them from many congressional and White House restrictions, American special operations forces have established military ties in at least 110 countries, unencumbered by public debate, effective civilian oversight or the consistent involvement of senior U.S. foreign affairs officials.

The law allows the military to send special operations forces on overseas exercises on the condition that the primary purpose is to train U.S. soldiers. Some exercises comply unambiguously with the letter of the law.

But a review of scores of missions found that many more have been used routinely for broader aims, including helping foreign armies fight drug traffickers, teaching counterinsurgency techniques in countries concerned about domestic stability and sharing U.S. military expertise in exchange for access to top foreign officials.

As such missions have multiplied since the end of the Cold War, special operations forces, including army Green Berets, navy SEALs and air force special operations airmen, have become a leading force in exerting U.S. influence abroad. They are revising the rules of U.S. engagement with scores of foreign countries.

In the process, military officials questioned about the exercises said, they are becoming familiar with nations where they might one day return to evacuate U.S. citizens — as they have done recently in Liberia, Sierra Leone and Albania — deliver humanitarian supplies or fight a war. The officials said U.S. forces also pass on their values of respect for human rights, civilian leadership and the need for a nation's military to maintain a professional, apolitical role in society.

Above all, the officials described the

exercises, known as Joint Combined Exchange Training, or JCETs, as an indispensable part of the key post-Cold War mission of engaging militaries abroad.

"I'd rather talk to people than hit them with sanctions," said Allen Holmes, assistant secretary of defense for special operations and low-intensity conflict. He described special operations forces as "the greatest asset we have."

Interviews with dozens of U.S. officers and troops around the world revealed widely inconsistent interpretations of the purpose and even the definition of the joint exercises. According to military officers involved in the program and Defense Department documents, effective civilian oversight and coordination with the State Department or National Security Council

American special operations forces have established military ties in at least 110 countries, unencumbered by public debate, effective civilian oversight or the consistent involvement of senior U.S. foreign affairs officials.

is minimal to nonexistent, a view disputed by Mr. Holmes.

And, although U.S. ambassadors in countries where they take place are responsible for approving and supervising joint exercises, officers and troops said that in many countries the U.S. military group at the embassy or the regional commander in chief dominate the process.

As a result, the exercises often appear to bring America's premier soldiers into conflict with aims of American diplomacy enunciated in Washington.

For example, the Clinton administration has enforced a nearly total ban on the supply and sale of U.S. military equipment and training for the Colombian military because of its deep involvement in drug-related corruption and its record of killing politicians, human-rights activists and civilians living in areas controlled by guerrilla groups.

The restrictions have permitted limited training in specific areas controlled by drug traffickers, but require that Colombian units first be evaluated for human-rights performance before receiving U.S. assistance.

But U.S. special operations forces, unknown to many in Congress who fought for the original restrictions, are legally free of these restraints and have trained hundreds of Colombian troops in "shoot and maneuver" techniques, counterterrorism and intelligence gathering.

In Indonesia, special operations forces have conducted 41 training exercises since 1991, despite a congress

ional ban on training Indonesia's officers in the United States and a checkered human-rights record. Most of the exercises involved Indonesia's elite Kopassus troops, whom U.S. officials have accused of involvement in kidnappings and torture of anti-government activists.

In Papua New Guinea, the State Department's annual human-rights report this year said, the military had "committed extrajudicial killings, were responsible for disappearances, abused prisoners and detainees, and employed harsh enforcement measures against civilians."

A separate State Department report to Congress said that to encourage reform of the Papua New Guinea's armed forces, officers would receive U.S.-based training "with an emphasis on human rights, civilian control of the military, and military justice."

The report did not mention that once or twice a year, in an exercise dubbed "Balance Passion," U.S. special operations forces provide instruction to local troops in demolition, patrolling and communications as well as in internal defense tactics and field medicine.

In Turkey, repression against Kurdish villagers has raised opposition in Congress and the State Department to the sale of attack helicopters to the military. In 1996, the State Department documented the use of U.S.-supplied equipment to kill and force the evacuation of civilians in disputed areas of southeastern Turkey, where a conflict with Kurdish Workers Party guerrillas has claimed 22,000 lives.

But the U.S. European Command's special operations branch last year conducted its first training exercise with the Turkish Mountain Commandos, a unit whose chief function is to fight Kurdish guerrillas.

In April, Timothy Geithner, an assistant Treasury Department secretary, said to Congress that Equatorial Guinea was one of only five nations where Washington would oppose leading by the International Monetary Fund because of that nation's gross human-rights violations.

But the 3rd Special Forces Group, based at Fort Bragg, North Carolina, continues to train scores of local troops in Equatorial Guinea in light infantry skills, including operations planning, small-unit tactics, land navigation, reconnaissance and medicine.

In Suriname, Desi Bouterse, the king-making former military leader, is wanted on an international warrant for drug trafficking and money-laundering. Jack Blum, the former chief investigator for the Senate's foreign relations subcommittee on narcotics, says the South American country has become "a criminal enterprise."

Nevertheless, a team from the 7th Special Forces Group at Fort Bragg has conducted infantry training and noncommissioned officer leadership classes with members of Suriname's armed forces as recently as March.

Mr. Holmes insisted these missions were intended to train U.S. troops.

Khamenei Calls U.S. Overture Hypocritical

Agence France-Presse

TEHRAN — Iran's supreme leader, Ayatollah Sayed Ali Khamenei, said Sunday that the United States' offer to work toward restoring normal ties was "hypocritical" and revealed a poor analysis of the situation in the Islamic republic.

"As long as Iran is an Islamic country and remains opposed to the Israeli-Palestinian peace process, U.S. hostility will continue," Ayatollah Khamenei said in his first direct public reaction to the U.S. offer, which was made last month.

The apparent softer tone we have heard recently reveals a hypocritical policy on the one hand and a poor analysis of the domestic situation in Iran on the other," he said in a speech to mark the anniversary of the birth of the Prophet Mohammed.

The U.S. secretary of state, Madeleine Albright, said on June 17 that the United States was prepared to discuss a "road map to normalization" with Iran after 18 years of enmity between the two countries. Most Iranian leaders have reacted cautiously to the U.S. overture.

"The reality in Iran is that the government, the president of the republic, the national Parliament, the judiciary

and the population are truly united in the same camp to strongly resist enemies who seek to shatter our unity," Ayatollah Khamenei said.

The U.S. offer came as the Iranian leadership was wracked by a power struggle between conservative and moderate tendencies.

Ayatollah Khamenei also criticized the United States over its policy toward Israel.

"The Americans are not competent to be mediators in the Middle East because they are not neutral," he said.

"If the oppressive powers, led by the United States, stopped supporting the usurpers of Palestine, the Israeli regime could no longer survive," Mr. Khamenei said. "The fact that Iran is an Islamic state and has a firm position on Palestine are the two biggest reasons for the hostility of the United States to the Iranian nation and the Islamic revolution," he said.

The president of Iran, Mohammed Khatami, welcomed on July 1 the new tone from the United States, but he said Washington would have to demonstrate its desire for improved ties in deeds.

Relations between Iran and the United States were severed after U.S. diplomats were taken hostage in the U.S. Embassy in Tehran during the 1979 Islamic revolution that toppled the U.S.-backed Shah, Mohammed Reza Pahlavi.

Tehran Mayor Denies Charges

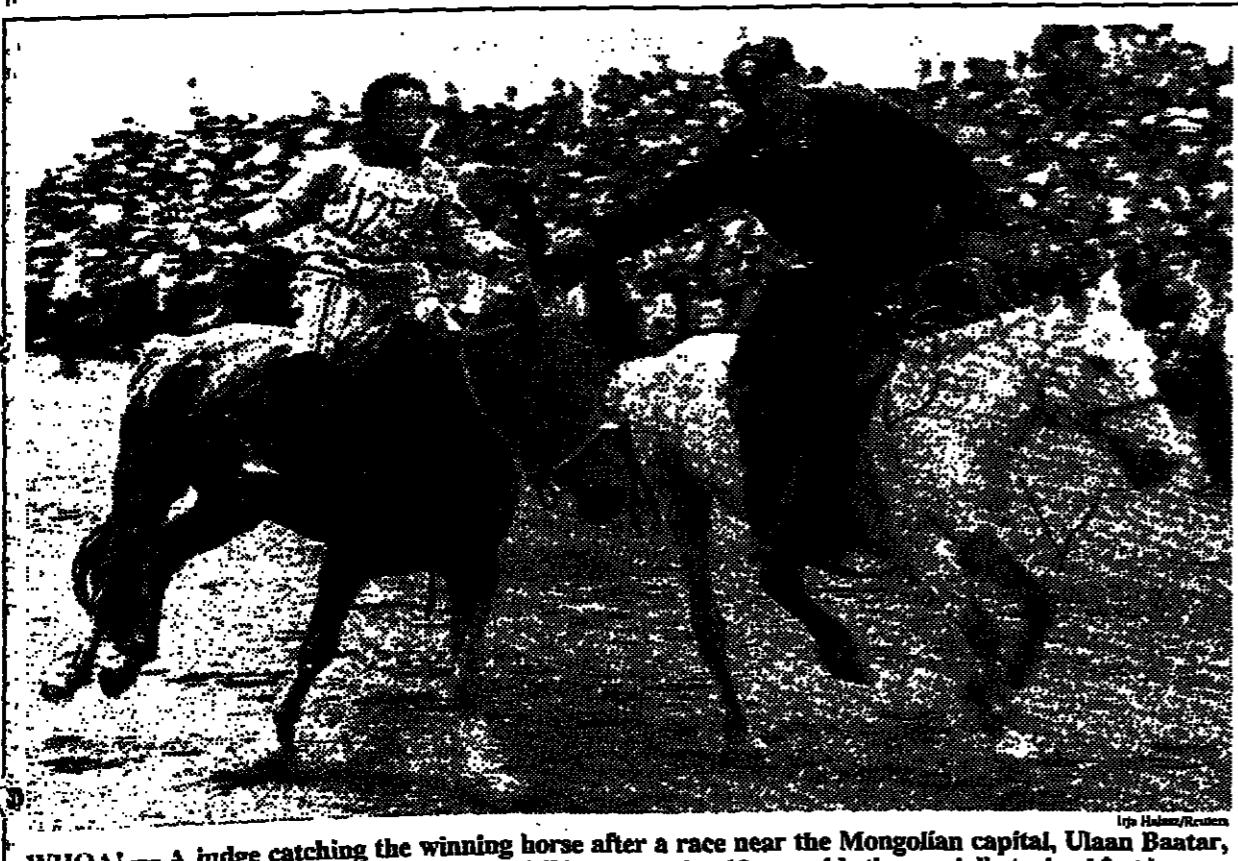
The mayor of Tehran told the closing session of his graft trial that he was innocent of any crime and had always acted in the best interest of the city and its 10 million residents. Reuters reported.

Gholam-Hossein Karbaschi, a moderate ally of Mr. Khatami's, defended his nine-year tenure as mayor, asserting that he had sought no personal advantage from his position of power and influence.

"Everything I have done has been according to the law," he said.

The charges against Mr. Karbaschi include embezzling more than 14.5 billion rials (\$5 million), receiving bribes, mishandling public property and inappropriate conduct of government transactions.

A verdict is expected within two weeks. If convicted, he could be subject to a long jail term and a hefty fine, and be banned from public office.



WHOA! — A judge catching the winning horse after a race near the Mongolian capital, Ulaan Baatar, during the national Naadam festival. Only children aged 6 to 12 may ride the specially trained fast horses.



TANKER AGROUND — Four ecologist protesters belonging to the Nature Warriors displaying the name of their group in Turkish. Stuck behind them on a sand spit in the Bosphorus at Istanbul is a Maltese-flag oil tanker.

Sweat and Snafus Bond Commandos

By Dana Priest
Washington Post Service

WASHINGTON — Creating close bonds between U.S. and foreign military officers is the crucial, if intangible, goal of many overseas training deployments.

Given language and cultural differences, it sometimes requires a bit of shared adversity, as the trials last August of an American SEAL team and the Turkish Mountain Commandos show.

It was the first encounter between members of U.S. Naval Special Warfare Unit 2, based in Stuttgart, and the commandos, whose main mission is to fight the Kurdish Workers Party rebels in mountainous southeastern Turkey.

While the State Department backs Turkey's effort to rout the guerrillas, it has criticized the tactics of Turkey's army and paramilitary forces.

These tactics include killing civilians and forcibly removing or destroying the villages of hundreds of thousands of other civilians in the same region. More than 27,000 people have died in the fighting.

The official purpose of the trip, according to a U.S. European Command

report, was "to foster friendships and establish a good working relationship" in an attempt to determine the future training needs of the Turks, and to "establish the groundwork for future training exercises between the Turkish and American military forces."

It took a lot of walking to get toward that goal. After being airlifted to a mountain base camp near the commando training center at Egridir-Ispara, in the mountainous west of the country, the teams set out at 3:30 A.M. to find their mock target, about 25 kilometers (15 miles) up 60-degree slopes.

The Turks had the only map and a Global Positioning System device to find the way. They misread the maps and got the group lost. Angry and embarrassed, the Turkish team leader would not allow the Americans to see the map. Later, the Turkish team leader apologized.

"This was a crucial point in bonding strong friendships that would prevail throughout the remainder" of the joint exercise, the report says. "The Turks, though angry at first, admired the physical stamina and motivation of the SEAL element. We in turn were im-

pressed with their capabilities and incredible endurance."

At 9 A.M. the next day, the teams joined forces for the attack. They were then transported to another patrol base, and at 10 P.M. the teams reached their second target, a bridge.

At 5 A.M. the following day, they exchanged weapons for a demonstration of the sophisticated American gear.

The SEALs conducted a presentation on weapons, night vision, laser aiming and sniper operations. "We then allowed the Turks to operate all of these systems. It was a very productive day," the report says.

"The relationship we established with the commandos was one of intense camaraderie, mutual respect, and friendship."

On the topic of "tactics," the report notes bluntly: "Exchange tactics, but be prepared to get no training value from the exercise."

BRIEFLY

Captive Israeli 'Disappeared'

BEIRUT — The leader of the Iranian-backed Hezbollah said Sunday that Captain Ron Arad, an Israeli airman shot down over southern Lebanon in 1986, later "disappeared" from custody and nothing further was known of his fate.

"I personally followed the subject with other brothers, and we reached the conclusion that the man had disappeared. We do not know whether he is dead or alive, but he was alive when he disappeared," Sheikh Hassan Nasrallah told the leftist radio station Voice of the People.

Captain Arad, a navigator, was captured by the military wing of Lebanon's pro-Syrian Amal Movement after his plane was shot down, but later he was handed to a pro-Iranian group called the Faithful Resistance, which was close to Hezbollah.

The Hezbollah leader said Captain Arad's guards left him during a fight with Israeli forces and found him gone when they returned. He did not give a date for the disappearance. (Reuters)

Taleban Claims Northern Town

ISLAMABAD, Pakistan — The Taleban militia captured a key city in northern Afghanistan on Sunday after heavy fighting with troops loyal to General Abdul Rashid Dostum, a private Afghan press agency reported here.

Taleban's Islamic fighters entered Maimana, capital of northwestern Faryab Province, in a major blow to the opposition forces, the Afghan Islamic Press said.

The fall of Maimana would, for the first time, give the Taleban access to opposition-held northern Afghanistan, the agency said. The Taleban claimed it took hundreds of General Dostum's troops prisoner.

Independent confirmation of the report was not immediately available.

The report follows an earlier Taleban claim that its soldiers had flushed out opposition supporters from the strategically important Qaiser district in Faryab. (AFP)

Centrist Leads in Ecuador Polls

QUITO, Ecuador — Ecuadorans voted Sunday in second-round presidential elections, with polls predicting that the centrist mayor of Quito, Jamil Mahuad, would beat a populist banana magnate, Alvaro Noboa.

Two opinion polls in the last week gave Mr. Mahuad, a 48-year-old lawyer, 45 percent support or more and a lead of at least 8 percentage points over Mr. Noboa.

Mr. Mahuad, standard-bearer of the Popular Democrat Party, has promised to boost social spending and maintain gas and electricity subsidies for the poor, and hopes to attract billions of dollars in foreign investment to help put the country's books into balance.

Whoever wins will face the mammoth task of building the historically poor economy, which has been further ravaged by El Nino storms and a steep fall in the price of oil, the country's main export. Almost 90 percent of Ecuador's 11.9 million people are poor. (Reuters)

21 Nations Grapple With Spread of Light Arms

By Raymond Bonner
New York Times Service

OSLO — In what diplomats say is the first endeavor of its kind, the United States and 20 other governments will gather here Monday to grapple with how to stop the murderous spread of assault rifles, pistols, hand grenades, mortars and other light weapons.

The two-day conference reflects a growing realization among governments that in the post-Cold War world, it is not the jets and tanks, but the so-called small arms that are the prime contributors to regional instability, fueling the nationalist and ethnic wars, where the casualties have been in the tens of thousands.

"This is the first governmental conference that will try to map out the actions to be taken to curb the proliferation of small arms," said Helga Hernes, a senior official in the Norwegian Foreign Ministry, which has brought the governments together. "This is the disengagement issue of the '90s," she added, noting that many nongovernmental organizations, buoyed by their success in outlawing land mines, have begun a campaign for controls on light weapons.

Below a surface agreement on the seriousness of the problem, however, lurk serious disagreements on what to do.

The Clinton administration, anxious not to run afoul of the gun lobby or the Pentagon, was reluctant to attend the conference. It wants to proceed slowly, preferring to share information here rather than plan action, several U.S. officials in Washington said. Above all, the administration is determined to avoid a public relations blitz like the one waged against land mines in which images of victims virtually forced governments to adopt a treaty banning the mines. The Clinton administration fought the ban and will not sign the treaty.

In the light weapons arena, one of the contentious issues is whether governments should concentrate on illicit trafficking, which is what the Clinton administration wants, or should address the legal trade as well, which many governments, as well as many American officials, consider critical in order to keep weapons out of regions of conflict and the hands of dictatorial governments.

While the United States may not want action, other countries certainly do, notably Belgium, Canada and Norway, which as one diplomat said are vying for the "moral high ground" on the small-arms issue.

In a landmark development, Canada plans on Monday to propose an international treaty that would restrict light weapons. Light and easy to use, these weapons have given rise to child soldiers, and a death toll in the hundreds of thousands, primarily women and children — in Bosnia, Somalia, Rwanda, Sudan, Algeria, Afghanistan and Sri Lanka.

AP Photo/Reuter

EDITORIALS/OPINION

Herald Tribune
INTERNATIONAL
PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST**\$18 Billion for the IMF**

Playing politics with the IMF may seem good sport to House Republicans, but their games now imperil international financial stability and the future growth of the U.S. economy.

When the House returns to work next week, it must approve America's long-delayed \$18 billion contribution to the IMF. The Fund is the world economy's front-line defense against the financial problems that threaten to spread from Asia's developing countries to Japan, Latin America and now Russia, where President Boris Yeltsin on Friday appealed to Western leaders for swift international assistance. America's own economy risks serious damage if the IMF's ability to respond to this spreading turbulence is impaired.

The Senate has approved the IMF spending request in full. But in the House it has been blocked by the philosophical misgivings of some Republicans about financial bailouts and by

the insistence of others on attaching anti-abortion language to any IMF appropriation. Last month, Speaker Newt Gingrich suggested that he would try to get some IMF money through the House this summer. One idea under discussion involves slicing off a \$3.5 billion piece of the administration's request for quick approval while continuing to hold the rest hostage to Republican political demands. That is not much help, since the remaining \$14.5 billion is needed for immediate lending.

Approval of that \$14.5 billion would quickly bring in a further \$65 billion from other countries under the IMF's standard payment arrangements. Passing up the chance to have other nations contribute that much money to future bailouts would be irresponsible. IMF reserves are now perilously low when measured against current lending commitments.

—THE NEW YORK TIMES.

Unpaid Swiss Debt

Time is running out for Switzerland and its banks to compensate elderly Holocaust survivors for the sickening profits that Swiss institutions made from financing the Nazi war machine and holding on to funds deposited by Holocaust victims. But efforts by Switzerland's leading commercial banks and Jewish organizations to negotiate a fair settlement have broken down, largely because the Swiss government refuses to contribute adequately to a compensation package. The breakdown has led New York City and other American municipal and state governments to threaten a series of escalating financial penalties on the banks, beginning Sept. 1.

The proposed penalties, which include denying Swiss banks the chance to bid for municipal and state deposits and underwriting fees, are misconceived. They would mainly punish the commercial banks, when in recent months the main obstacle to a settlement has been the Swiss government.

Further, by injecting local governments into a foreign policy issue, the sanctions will make it harder for Washington to persuade the Swiss government to pay its fair share.

Swiss financial institutions helped Nazi Germany convert the gold it stole from individuals and conquered countries into foreign exchange for buying war supplies. Most of these gold transactions were done by Switzerland's central bank, but the commercial banks were also involved. Swiss commercial banks also shamelessly betrayed the trust of Europe's doomed Jews, keeping for themselves the money left behind by depositors who died in the Holocaust.

For decades, the banks made no serious effort to find family members or other survivors. Only recently, and

in response to outside pressure, have the banks even discussed reasonable compensation. The Swiss government lags badly behind.

For the past year, a commission led by former Federal Reserve Board Chairman Paul Volcker has been reconstructing the records of prewar Swiss bank accounts to determine how much money, in current dollars with interest, is owed to Holocaust victims and their families. An authoritative estimate is expected by the end of this year, and the Swiss banks have committed themselves to pay to full.

Meanwhile, Swiss banks, the Swiss government and other Swiss institutions have paid \$200 million into a special compensation fund for aging and destitute Holocaust survivors.

The current dispute concerns a so-called rough justice fund to compensate Holocaust survivors for Switzerland's financial transactions with the Nazis, like gold conversions and loans to factories employing slave labor. The two main Swiss banks in America, UBS and Credit Suisse, have offered to make combined payments of an additional \$50 million to settle these claims. The Swiss government refuses to make any further contributions.

New York City Comptroller Alan Hevesi leads the group of local financial officers who are now planning to impose sanctions. They have no easy ways of pressuring the Swiss government directly and hope that by putting pressure on the commercial banks, they can somehow produce a more generous settlement. But the better way to do that would be through continued negotiations, backed up by diplomatic pressure from Washington and the threat of legal action in American courts.

—THE NEW YORK TIMES.

Madame la Ministre

Americans fighting the language and gender wars might do well to pause and give thanks that they do not speak a European language. No matter what their views on the urgency of such questions as "firefighter" vs. "fireman," "mail carrier" vs. "mailman," they can only be counted lucky by comparison with speakers of languages in which every noun has an unshakable and often arbitrary grammatical gender. Not to mention languages spoken in nations where grammar is regulated by government fiat and where the accidental jumbling of a noun's gender, let alone a willful attempt to alter that gender, is taken by authorities as a dagger in the heart of the national honor.

The New York Times recently reported just such a linguistic controversy raging in France over the proper gender of the noun "ministre," or government minister. The debate has been raging ever since serious numbers of French women began to attain cabinet status and, citing logic and convenience, began to have themselves referred to as "Madame la ministre" instead of the traditional masculine (and grammatical) "le."

The fix might seem unremarkable, since most French nouns of this sort readily can be made feminine by the addition of a couple of letters — "directeur" becomes "directrice" with less trouble than English speakers had with, say, "chairman." But the Académie Française, which rules on all such matters, has stoutly resisted

"la ministre" and declared the new form an abomination. (This body, when it meets, dresses in green medieval costumes and carries swords.)

Although the Académie generally has the last word, this time the argument has gone on, perhaps because potential users of the "la ministre" form in the current government include the ministers of justice, culture and labor. Some have gone so far as to suggest that the resistance of the Académie to changes in grammar in this instance may be a reflection of resistance to changes in life itself.

Having enough problems on our own shores, we will content ourselves with murmuring, "To each his, her or its own."

—THE WASHINGTON POST.

Other Comment**Making India Count**

India has never had an effective lobby in America, an accepted method of influencing policy in Washington.

How successful India will be in claiming its share of power and dignity in regional and world affairs will depend upon the country's capacity and collective will.

The signal the Clinton administration is sending India is that, in its scheme of things, New Delhi does not count. It is now up to India to show that it does.

—S. Nihal Singh, commenting in *Khaleej Times* (Dubai).

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Don't Give Up on Russia as It Muddles Forward

By Fred Hiatt

WASHINGTON — After the Soviet Union collapsed, many people imagined that the next phase of Russian history would follow a well-defined plot, and we would soon see whether it would end happily or not.

The story had opened with such drama back in 1991, when Boris Yeltsin rallied his citizens from atop that famous tank that it seemed only natural to expect a brisk denouement.

President Yeltsin himself encouraged that expectation when, at the very start of Russia's radical economic reforms, he warned his people that they were facing six months of hard times.

That was six and a half years ago.

Most economists agreed that Russia could not survive without change. Through decades of Soviet decline, they said, gold and oil exports had kept alive a giant military and industrial complex that subtracted value, producing things worth less than the raw materials that went into them. But the gold reserves had run out and the oil wells were rusting.

There were two scenarios.

Radical reform would take hold; the economy, after an initial swoon, would begin to recover; by the year 2000, Russians would feel hopeful enough to elect a pro-democracy, pro-market

president to replace Mr. Yeltsin. Alternatively, reforms would fail and catastrophe would ensue — mass starvation, a splintering of the country, vengeful mobs on the streets, Communists or fascists at the helm.

Today, anything remains possible.

No one ever got too far in the Russia-watching business by betting heavily against disaster. But as Russia has limped from one crisis to another, a third scenario has emerged: Russia struggles through years or even decades of muddle, always hanging on but never getting well.

As in post-independence India, some regions would outperform others, some people would prosper while others failed. Russia itself would remain perpetually on the edge of the abyss.

An intriguing new analysis by Clifford G. Cady of the Brookings Institution and Barry W. Ickes of Pennsylvania State University suggests how this might work economically.

More than half of all transactions among Russian industrial enterprises today are conducted in barter, not with money, they say. Large enterprises pay only 8 percent of their taxes in cash.

This matters, not because barter itself is necessarily evil but because it allows the country to operate with an entire system of phony accounting.

Enterprises overestimate the value of the products (shoes, cheese, construction services) that they use for barter; they then can claim to produce more value than they do. The government pretends to collect more taxes than it does, and so forth.

In this analysis, the system that kept Leonid Brezhnev's Soviet Union afloat has changed much less than at first glance appears. A small value-producing segment of the economy, led by the natural-gas-exporting giant Gazprom, continues to subsidize an industrial sector that subtracts value with every operation.

Instead of the Communist Party openly channeling subsidies to state-owned enterprises, the new government disguises its subsidies to nominally privatized firms through phony barter accounting.

Rusting oil wells (and falling oil prices) produce dwindling revenues, but because of ruthless cutting of the military sector, especially from 1991 to 1994, the value-subtracting sector has become much smaller, too.

New economic freedoms — to grow

vegetables, to travel to Turkey or China with suitcases of goods to trade, to start small businesses — lubricate the system enough to allow almost everyone to survive above starvation level.

This model may underestimate the level of new, private enterprise that creates jobs but stays hidden to avoid taxes. But it offers one view of how Russia might limp along with neither real reform nor total collapse.

Those who expected Russia to fail see in the postponed happy ending a vindication. They are wrong. Russia in many ways is a remarkable success story — free, more democratic, more peaceful toward its neighbors than at virtually any time in history.

Those who expected the happy ending now show signs of giving up. That is wrong, too. The dangers, beginning with loose nukes, remain as worthy of attention in 1998, and perhaps 2008, as they were in 1991.

The potential rewards of engagement remain, too — the vision of a peaceful, prospering Russia integrated into the West.

Such a vision may be a generation rather than a year or two away does not lessen the importance of working toward the goal.

The Washington Post.

For Iraqis, the Biggest Relief Operation in UN History

By Madeleine K. Albright

The writer is U.S. secretary of state.

sanctions. It is a policy that is both cynical and cruel, and must not be allowed to succeed.

The truth is that the sanctions, which will remain in place until the Iraqi regime complies with all relevant UN resolutions, have never prevented the shipment of humanitarian supplies.

On the contrary, the international community is committed to ensuring that Iraqis have access to the primary humanitarian goods of his people.

These sanctions are targeted directly at the Iraqi regime, because of its continued refusal to live up to the conditions it accepted at the end of the Gulf War, including those demanding the elimination of its weapons of mass destruction capacity. These sanctions are not directed at the Iraqi people.

The fact is that Saddam, eager to keep as much money or supplies as he can grab, has deprived his people and then used their suffering as a means to increase support for lifting

not to jeopardize the dignity and well-being of the Iraqi people, the United Nations, led by the United States, proposed the oil for food program in 1991, immediately after the Gulf War.

For almost six years, Saddam said "no" to such a program because he wanted to control the revenues that oil sales would generate — a condition that the United Nations refused to accept.

In 1996, Saddam finally agreed to cooperate with the program and sell oil, the profits from which are placed in a UN-controlled escrow account to be used for food, medicine and other basic necessities.

Since then, more than \$3 billion worth of supplies have successfully been delivered to the Iraqi people. This effort has substantially improved the diet of the average Iraqi.

Because of our commitment

to even further address Iraq's needs, the United States has strongly supported renewed efforts within the United Nations to expand the humanitarian relief effort this year.

Under the provisions of UN Security Council Resolution 1153, the largest relief operation in UN history will be made available to the Iraqi people. This program will offer more humanitarian assistance to the Iraqi people over the course of one year than was provided by the United Nations for global humanitarian assistance in the last three years.

Saddam claims that the humanitarian goods paid for from the sale of up to \$10.4 billion worth of oil every year under resolution 1153 will not suffice, and he continues to demand that the sanctions be lifted.

But his real motive, as demonstrated by his record of misrule, is clearly not to help his people but to get his hands on hard cash in order to support his own personal and political agenda.

Resolution 1153 not only provides humanitarian goods, it also allows for the reconstruction of Iraq's civilian infrastructure, including water and sanitation facilities. Under great international pressure, Saddam has submitted a plan, acceptable to the United Nations, for the distribution of funds among these priorities.

The international community hopes that he will indeed move to ease, not impede, the flow of assistance to his people. But, in the event that the regime reverts to its obstructive behavior, we are consulting with other governments and the community of nongovernmental organizations on how best to deliver goods and services to the Iraqi people.

In addition to supplying goods to meet the Iraqi people's day to day needs, we are working with other countries to supply educational equipment, so that Iraq will not lose a generation to ignorance and will be able, post-Saddam, to reclaim its historical, cultural, intellectual and political role within the Arab world.

We have made it eminently clear since the implementation of the sanctions that we have the highest regard for the Iraqi people and support the territorial unity and the integrity of their country.

The Iraqi people deserve better than the rule of Saddam. Until they are relieved of that burden, we are determined to see that everything is done to ensure that they can enjoy as decent a life as possible under an decent regime. We will not under any circumstances work toward that objective.

The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO**1898: War Surgery**

NEW YORK — The Herald says: "There has been recent advance in life-saving measures of modern surgical procedure. Thanks to the aseptic methods in wound treatment there are proportionately as many opportunities on the battlefield of saving life as of destroying it. The percentage of those killed by the small-caliber bullet is very small. It is stated on the authority of surgeons in the field that compared with former experience, general amputation and resetting is rarely necessary, as the bones of the joints are not seriously injured."

Notes the Middle East expert Stephen Cohen: "If people thought Bibi was truly committed to the logic of Oslo — that the only way forward is through mutual recognition between the two peoples and mutual cooperation between the two political leaderships — they would believe he is sincere in looking for alternative ways to achieve its objectives. But what Weizman was saying was that Bibi has left too many people in doubt. And the hour is getting late."

It is still not too late, but the breakthrough has to happen now. If "Groundhog Day" plays out May 4, every road intersection in the West Bank and Gaza will be a potential flashpoint.

When Israeli President Ezer Weizman took the highly un-

expected world referendum before declaring war and that in the referendum all persons over eighteen years of age should participate. The Marshall plan provides for a criminal tribunal which would condemn to death leaders of any aggression.

1948: Balkan Rancors

BELGRADE — The Central Committee of the Communist party of the Republic of Yugoslavia Macedonia pledged its solidarity with Marshal Tito. The

HEALTH/SCIENCE

TOMORROW
STYLE

Seeking a Key To Easter Island

By John Noble Wilford
New York Times Service

EASTER ISLAND, Chile — On the sacred slopes of Rano Raraku, a Polynesian Mount Olympus, the impassive faces on huge statues carved out of soft volcanic stone look across fields tinted dusty pink by the ripening tall grass and far out to the blue waters of the Pacific Ocean. The vista encompasses the entire world that could have been known to the creators of the enigmatic statues, the most distinctive expressions of an ancient society coping with life in isolation on the most remote inhabited island on Earth.

Down on Easter Island's south coast, also in view of Rano Raraku, 15 more of these gray monoliths, called *moais*, have been reassembled and restored to their original upright positions in a single row on a stone platform. Archaeologists consider the site, Tongariki, one of the greatest religious monuments of early Polynesian culture in the South Pacific. It is certainly the most impressive accomplishment of recent restorations here.

Everywhere one looks on this speck of land no more than 166 square kilometers (64 square miles) in size, another *moai* stands silhouetted against the sky or lies in pasture grass or remains in its quarry, incomplete or too large to have been moved by its over-reaching builders. A survey has counted nearly 900 of these statues, with a few more pockets of land still unmapled.

The statues have long haunted the imaginations of explorers, anthropologists and other visitors. In a time more attuned to ecology, they have been invoked as a metaphor for the fate of a society that self-destructs through the heedless use of its limited resources.

On average, each statue



The statues are expressions of an ancient society coping with life in isolation.

stands 4.3 meters (14 feet) and weighs 14 tons, though one measures 32 feet and 89 tons. The motif is unvarying: an elongated head with long ears, a prominent nose and pursed lips and a shortened torso with hands placed across the abdomen.

Archaeologists at last are making progress in recovering the history of Rapa Nui, which is the local culture's name for the island, the people themselves and their indigenous language. They are also gaining a better understanding of the motivations, practices and economic foundations of the statue builders. But the place is in no danger of losing its alluring air of mystery.

"All outsiders think the island is so simple and straightforward," said Dr. Jo Anne Van Tilburg, an archaeologist at the University of California at Los Angeles and writer of "Easter Island: Archaeology, Ecology, and Culture." "The remains are so visible there on the surface, and the place is so small. But I've been working there 15 years and I have more questions now than answers."

LINGUISTIC, cultural, and genetic evidence, most anthropologists agree, shows that the people of Rapa Nui were Polynesians. The statues and other artifacts bear a Polynesian imprint, and, in 1994, the DNA from 12 Easter Island skeletons was found to be Polynesian.

The first settlers apparently arrived from the west by canoe sometime between A.D. 400 and 750. The migrating Polynesians, originally from Southeast Asia, had reached Tahiti and the Marquesas islands by 300 before going on to discover and occupy Hawaii and New Zealand.

Polynesian navigators must have been put to their severest test, though, in finding Easter Island. The island

stands 2,240 kilometers (1,400 miles) southeast of Pitcairn Island, the nearest inhabited land, and 3,740 kilometers west of Chile, Easter Island's proprietor since 1888.

"The voyages may have been celebrations of technology," said Dr. Ben Finney, an anthropology professor at the University of Hawaii who specializes in Polynesian exploration.

Once they reached Easter Island, the people probably found themselves stranded. Scholars can find no evidence of two-way communication between the island and the rest of Polynesia. The settlers, it seems, were stripping the island of trees, especially the hardwoods used in canoe building. Without canoes, they had no way back, and were utterly alone.

An analysis of recent excavations indicates that the island population grew steadily from 1000 to the 1500s, when it apparently peaked at 9,000.

Archaeologists have found that the people went on a building spree between 1400 and 1600. Toward the end, the sculptors were producing bigger and bigger statues, as if

they were desperately appealing for divine intercession in times of mounting trouble.

Most archaeologists view the statues as the central manifestations of ancestral worship. Nearly all faced inland, toward fields requiring the blessing of fertility and some of the sacred places.

By the 17th century, the old order of state builders was disintegrating. Tribes organized into warring confederacies. Rebellions against the religious elite, they toppled and often decapitated the symbols of their influence, the statues. Famine may have led to some cannibalism.

But the people face a new threat because of the island's new-found prominence. Signs of increasing tourism abound in Hanga Roa, the only town inviting visitors into car-rental agencies, small hotels, curio shops, a pizza parlor, and a disco.

Few children are learning the Rapa Nui language, threatening it with extinction in a generation or two.

Frustrated by the changes, many of the island's 2,000 people are demanding that Chile grant them more control of their affairs, the land, and the archaeological sites.

"We are trying not only to preserve but to rescue the Rapa Nui culture," said Dr. Jose Miguel Ramirez, an archaeologist and head of the National Park of Rapa Nui.

Side Effects Raise Doubt on AIDS Drugs

What Are Acceptable Risks?

By Lawrence K. Altman
New York Times Service

GEVEVA — Imagine lying on your death bed exhausted and wasted, just a shell of your former self. Suddenly, a new therapy lets you gain weight and strength. You resume your daily activities, if not return to work.

Then about a year later, you learn that your miracle new therapy unexpectedly produces bizarre side effects. Your body changes shape and blood tests indicate you cannot properly metabolize fat, perhaps increasing your risk of a fatal heart attack.

Do you stop the therapy that has brought you back to life? Or do you continue it, trading your newfound well-being for unknown long-term risks?

What if you are in the early stages of the disease and feel fine? What if national guidelines suggest you should start the therapy? Do you accept the unknown risks? Or demand another therapy?

Troubling questions like these have filled the history when promising new therapies have gone sour. The questions come up now in a dramatic way in AIDS because of a recently recognized constellation of findings known as the lipodystrophy syndrome. It produces a different pattern from the wasting syndrome.

The wide variation in incidence figures was attributed to different factors. One factor is the tendency of many doctors to deny existence of the side effects, Dr. Cooper said. A second factor is variations in research methods.

Doctors are as likely as anyone to deny a troubling new problem. Like patients, doctors can become as frustrated when they have no effective therapy to offer and as enthusiastic when a new therapy suddenly offers dramatic improvement.

As devastating as the disfigurement may be to some people, the cosmetic changes may be the least worrisome part of the syndrome.

DOCTORS are worried about potentially fatal changes in fat metabolism. A growing number of studies find that many individuals who take the drug cocktail have high levels of cholesterol and lipids in the blood and other metabolic changes that may increase the risk of diabetes.

In the lipodystrophy syndrome, the face, arms, and legs become thin. The skin becomes dry, the lips cracked. Weight drops. Veins stick out as cords.

While fat disappears from some areas, for unknown reasons it redistributes to build up others. The back of the neck resembles a buffalo hump. Breasts enlarge. The abdomen swells, producing a sometimes painful pot belly.

Several published reports have linked the syndrome to the drug cocktails that contain one of the powerful protease

inhibitors that were introduced in the last two and a half years. Many discussions at the 12th World AIDS Conference that ended here this month focused on the syndrome as experts from several countries reported new cases.

No one knows how many people have stopped the drugs or switched to different combinations because drug therapies are not routinely monitored in practice.

Some AIDS doctors estimated that at least one-third of people who started drug cocktails have stopped them after two years because of side effects or inability to adhere to the rigid regimen of taking up to 20 pills a day.

The wide variation in incidence figures was attributed to different factors. One factor is the tendency of many doctors to deny existence of the side effects, Dr. Cooper said. A second factor is variations in research methods.

Now the side effects have become "a very large problem," said Dr. Cooper, who was one of the first to raise a yellow flag about the lipodystrophy syndrome.

Dr. Cooper said the percentage of individuals who develop the syndrome may vary with the different drugs within the class of protease inhibitors and that it was not known whether newer drugs in the pipeline will also cause the syndrome.

Dr. Bernard Hirschel, who treats AIDS patients in Geneva and was conference chairman, said doctors and patients must weigh the disfigurement and the unknown longer-term risks of protease inhibitors against the possibility of a steady decline in condition.

Meanwhile, American and European doctors plan to begin trials this year to test drug combinations that exclude protease inhibitors.

Even if newer combinations work, conference participants said the side effects of protease inhibitors highlight the need for new and safer drugs.

Shoes That Last — 8,000 Years

By Nicholas Wade
New York Times Service

NEW YORK — One of the longest chapters in the history of fashion has emerged from an unlikely hiding place in a cave overlooking the Missouri River in Calloway County, Missouri.

From an ancient garbage dump in the cave, archaeologists have retrieved a number of discarded shoes that range in age from 800 to 8,000 years.

The shoes include sandals and slippers in a variety of styles. Their design follows no particular pattern from century to century.

"Things came in style, went out of style, like what happens today," said

Michael O'Brien, an archaeologist at the University of Missouri who has studied the shoes. His findings are published in the current issue of the journal *Science*.

Several of the shoes are woven from the leaves of a yucca-like plant known as rattleback master because it is supposed to be an antidote to snake venom. The two youngest items in the collection are moccasins made of deer skin.

Though these materials are perishable, the shoes survived because of the dry and constant conditions in the cave, known as the Arnold Research Cave.

The shoes were excavated many years ago but dated only recently. Previous methods of carbon-based dating required that a large sample of the material be analyzed. Dr. O'Brien was un-

willing to cut large pieces from the shoes and decided to wait for a better dating method to turn up.

Because of renewed interest in the Shroud of Turin, a cloth said by its devotees to be the original winding sheet that bound the body of Jesus, scientists at the University of Arizona developed a carbon-based dating method that required only a few threads of the original material, the maximum that church authorities would allow to be taken.

Dr. O'Brien and a colleague who is a textile expert, Jenna Kuttruff of Louisiana State University, had the shoes sent off to be dated by the new method. The footwear turned out to be much older than they had expected and to cover a much larger expanse of time.

Southern Africa

Trade & Investment Summit

Cape Town, December 1-2, 1998

Foreign investment in Africa receives higher rates of return than in other developing regions, and Southern Africa continues to create expanding opportunities for trade and investment. To assess the region's potential, the International Herald Tribune is convening the fourth annual Southern Africa Trade & Investment Summit in Cape Town on December 1-2.

Deputy President Thabo Mbeki and heads of state from the region will attend this high-level gathering. They will be joined by senior representatives from some of the world's foremost companies investing in Southern Africa, as well as business and finance leaders from the region.

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LANGUAGE

Ratcheting Up With the Convoy System

By William Safire

WASHINGTON — Anticipating tension among the heirs to Frank Sinatra's estate, Joshua Hammer wrote in *Newsweek* about Ol' Blue Eyes' will: "It's certain to *ratchet up* the family feud even higher."

A puzzled Marie Balandis of Houston writes: "My dictionary defines *ratchet* as a noun meaning 'a pawl, click or detent for holding or propelling a ratchet wheel.' Will be looking for your column on *ratchet*."

Here it is, and you need a newer dictionary. Every mechanic knows that a *ratchet* is a toothed wheel or bar used to prevent a gizmo from moving backward. That sawlike catch is what gives us all confidence in elevators and the courage to jack up a car to change a tire. But this word (from the Old German *rocchō*, "spindle") has been reborn with new senses.

The *ratchet effect* has seized economics, and to *ratchet up* — "to move upward in increments" — is a verb phrase that has thrust aside the previously voguish *escalate*. (*Raise* was long ago lowered, and *increase* has shrunk.)

Professor James Duesenberry of Harvard launched *ratchet effect* in a 1948 doctoral thesis that became a seminal macroeconomic book the next year: "Income, Saving and the Theory of Consumer Behavior." He took the *ratchet* to be a device that enables something to move easily up but prevents it from moving easily all the way down, and applied that metaphor to the way we spend our money.

But that's only the beginning. I asked Professor William Doyle of the University of Dallas to simplify

Duesenberry's theory for me, and it boils down to this: "It's easier for a household to adapt its expenditures to an increase in income than to a decrease in income. When income increases, consumption spending increases; but when income falls, consumers who have come to view their standard of living as 'normal' are very reluctant to decrease consumption spending." That's the *ratchet effect*.

When you've been up there, you tend to spend as if you're still there — even when you can no longer afford it. Reached in Boston, the emeritus Duesenberry recalls: "I think the *ratchet* I was familiar with was a car jack. I thought about the *ratchet* on a car jack and thought of it as an analogy to what was happening. It's an asymptotic response."

According to Merriam-Webster, the editor of Barron's magazine, Robert Bleiberg, first used the phrasal verb *ratchet up* on April 10, 1972: "In a striking reversal of policy, the Fed in recent weeks has *ratcheted upward* the repo rate to 4 percent." Five years later, Britain's Margaret Thatcher, on her way to becoming prime minister, latched on to the image: "Britain is no longer in the politics of the pendulum, but of the *ratchet*."

Now it calibrates any rise. "Tension in the border war between Ethiopia and Eritrea," reported Agence France-Presse a few months ago, "ratcheted up a notch."

And Michael Kelly, in his column enlivening the weekly National Journal, dreamed up ways that Democrats would continue to try to embarrass Republicans with anti-tobacco bills, concluding: "The pain level *ratchets up*, and sooner or later, the theory goes, the GOP caves."

Needed: a phrase meaning "to

lower by degrees, to decrease in increments." *Ratchet down* may be justified mechanically, but it doesn't do it metaphorically.

Never underestimate the ability of down business executives to come up with colorful word pictures. A system allowing interest rates to rise or fall only within a narrow range was called the *snake in the tunnel*; a stock rally doomed to be short-lived is a *dead-cat bounce*.

Japan has the *Gososendan-hoshiki*. To break it down, *Goso* means "shipped with protection"; *sen* is "ship"; *dan* is "group." *Hoshiki* is "system." English translation: "the convoy system."

When Treasury Secretary Robert Rubin decided to intervene in the currency markets to support the yen, he had just been assured that Tokyo would take action against the convoys. Last month, David Wessel wrote in *The Wall Street Journal* that Japanese officials promised "that Japan finally will abandon what is called the 'convoy system,' which essentially involves strong companies bailing out weak ones — often under pressure from regulators — so that everyone stays afloat."

Vivid metaphor. A *convoy* is a group, usually of ships, organized to move in a way that best protects the whole group.

In the current Japanese trope, the *Gososendan-hoshiki* consists of strong and weak banks; the strong banks hold afloat the weak ones. By breaking up the convoy, central bankers around the world hope to allow the Japanese banks weakened by bad loans to sink and the strong to survive.

New York Times Service

J.P. Wilson

CAPITAL MARKETS ON MONDAY

U.S. Bonds Are Still a Bargain, Even as Yields Decline to a Record Low

Bloomberg News

NEW YORK — Treasury bond prices are poised to rise this week because even with yields near record lows, the securities look like a bargain compared with many European government bonds, some analysts say.

Benchmark 30-year Treasury yields fell to 5.56 percent on Tuesday, the lowest since the government started selling the bonds regularly more than 20 years ago. The long bond closed the week at 5.62 percent, up from 5.60 percent a week ago.

Ten-year U.S. bond yields, at 5.40 percent, are hovering near a five-year low. Even so, they pay a fatter yield than German, French, Swedish, Irish, Italian and Spanish bonds, among others.

"We have higher yields and a strengthening dollar — it makes the other markets uninteresting," said Robert

Alley, a fund manager at AIM Management in Houston. He said he saw little value in European bonds right now. Those relatively attractive yields are likely to pull more money into the U.S. market, especially as the dollar stays

U.S. CREDIT MARKETS

strong, the economy slows, and international investors look for a safe alternative to shaky Asian markets.

"Money is flying out of Asia and going into the U.S.," said Vic Thompson, a bond manager at State Street Global Advisors in Boston.

Currencies and financial markets in several Asian nations plunged during the past year, sending investors rushing into safer securities. While the flight has slowed in recent weeks, few analysts see problems in the region are over.

In Japan, the economy is mired in recession and the banking system is reeling under the weight of hundreds of billions of dollars in bad loans. That is likely to bolster the dollar, and U.S. bonds, in coming months, investors say.

Events in the United States may also bode well for bonds. The economy looks to be slowing from its torrid 5.4 percent first-quarter growth pace, and inflation is tame.

"When you really do the analysis, you have to buy the U.S.," rather than lower-yielding European bonds, said Andrew Brenner, head of global fixed-income trading at Firstmark USA Inc. "The U.S. economy is in good shape, the dollar is strong and inflation is low."

Of course, some favor Europe. Yields in the 11 countries planning to adopt a common currency on Jan. 1 are converging toward Germany's borrowing

rates, the benchmark for the region. So even though the biggest gains from the so-called convergence trade are probably in the past, Italian yields, for example, could fall further by the end of the year. Ten-year Italian bonds now yield 4.98 percent, 32 basis points more than German 10-year notes.

Inflation is even less of a threat there than in the United States, some said.

France and Germany said Friday that

consumer prices rose just 0.1 percent in June. Together the two countries account for 56 percent of the euro-area economy. The new currency, the euro, will be used in Germany, France, the Netherlands, Belgium, Italy, Spain, Finland, Sweden, Portugal, Ireland, and Luxembourg.

"The economies have slack to take up over there," said Jonathan Francis, head of global strategy at Putnam Investments in Boston. "The inflationary

environment is better in Europe than in North America."

Mr. Francis said central bank rates in Europe offered more room for yields to fall than those in the United States, where yields on securities maturing in 10 years or less are all below the Federal Reserve's benchmark short-term interest rate. The federal funds rate, its overnight borrowing target, stands at 5.5 percent.

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending July 10. Prices supplied by Telkaurs.

Rnk Name Cpt Maturity Price Crd Yld

Argentine Peso

207 Argentina 3.0348/04/01/01 57.0992 5.1300

Austrian Schilling

144 Austria 5 01/15/08 101.2000 4.9400

British Pound

102 Britain 7 06/07/02 100.1250 6.8500

122 Britain Local 6% 07/07/02 100.1250 6.8500

171 Amington zero 12/07/02 100.8750 6.4200

210 Fannie 6% 07/07/02 100.1250 6.8500

225 EIB 6 12/07/28 102.3750 5.8200

227 Amington 7.5050/01/22/23 98.1645 8.8900

230 Amington 7.5050/01/22/23 98.1645 8.8900

245 World Bank 6 03/01/06 99.7500 6.8200

Canadian Dollar

199 Canada T zero 12/23/96 97.7895 4.9800

Danish Krone

13 Denmark 5 01/07/04 110.2800 6.4200

20 Denmark 5 11/15/01 115.40 6.7000

35 Denmark 6 11/15/01 108.3500 5.5400

37 Denmark 6 11/15/00 108.0800 5.8100

47 Denmark 6 12/10/00 102.2500 5.8700

52 Nykredit 6 05/01/01 102.2500 5.8700

55 Denmark 6 11/15/00 109.3200 7.0000

70 Denmark 7 12/15/04 112.1900 6.2400

73 Denmark 7 11/10/94 122.1500 5.7300

74 Nykredit 6 01/01/29 26.3000 4.1700

81 Nykredit 6 01/01/29 101.8500 6.8200

84 Nykredit D 6 01/01/29 101.8500 6.8200

96 Denmark 6 11/15/01 110.4600 7.2300

98 Nykredit Denmark 6 01/01/29 98.2700 4.1100

100 Denmark 6 11/15/00 100.1700 5.8700

102 Nykredit T 260/01/01 100.1700 5.8700

181 Unikredit 7 01/01/29 101.5000 6.9200

214 Nykredit 6 01/01/29 101.5000 6.9200

239 Unikredit 6 01/01/29 97.4500 6.1600

Deutsche Mark

1 Germany 5% 01/04/08 102.1876 5.0000

2 Germany 6% 07/07/07 99.7735 6.4200

4 Germany 5% 01/04/28 104.4856 5.3700

5 Germany 6% 01/04/07 108.5400 5.5100

6 Germany 6% 02/19/03 100.7892 4.7000

7 Germany 6% 11/12/02 102.7117 4.6700

8 Germany 6% 07/04/27 117.2800 5.5200

10 Germany 8 01/21/02 112.1300 7.1300

11 Germany 6% 06/14/00 100.1500 5.7000

14 Germany 6% 07/17/02 100.8407 4.4600

15 Germany 7% 03/02/03 115.2500 6.3800

16 Germany 6% 07/20/00 109.1571 5.8200

17 Treuhand 7% 07/20/00 109.1571 5.8200

18 Germany 7% 07/20/00 110.8287 5.1400

19 Germany 6% 04/26/00 109.2914 5.6700

23 Treuhand 7% 12/02/00 111.9229 6.3700

24 Germany 6% 10/14/05 111.9217 5.6200

25 Germany 6% 06/20/01 110.9250 5.6200

27 Germany 6% 01/04/24 113.7771 5.4100

29 Germany 3.0367/09/04 99.4600 3.2200

30 Treuhand 6% 07/05/03 109.4750 5.6200

31 Germany 6% 07/05/03 109.4750 5.6200

32 Germany 7% 10/21/02 106.1851 5.6200

33 Germany 6% 07/15/03 109.4100 5.4900

38 Germany 6% 07/22/02 113.5600 7.0400

40 Germany 6% 07/11/04 114.6243 4.4000

41 Germany 6% 07/17/04 100.2600 3.9900

45 Treuhand 6% 02/23/03 100.0300 5.9600

48 Germany 6% 01/05/06 100.4200 5.5200

49 Germany 6% 08/19/02 100.4200 5.4900

51 Germany 6% 08/22/00 103.5000 5.5600

62 Germany 6% 11/20/01 101.5900 4.6700

65 Germany 6% 03/15/00 103.3700 5.6200

67 Germany 6% 07/04/00 103.3700 5.6200

68 Germany 6% 07/04/00 103.3700 5.6200

69 Germany 6% 10/14/98 99.1835 3.1700

129 France B 4 07/01/98 100.7200 4.0100

224 France DAT 3.9100/01/25/09 100.3000 4.0200

Netherlands

7/2 04/15/02 123.1500 6.4200

25 Netherlands 7/2 04/22/99 101.3800 5.6200

91 Netherlands 5% 09/15/02 105.3300 5.4600

99 Netherlands 7/2 04/25/00 108.8000 6.7000

101 Netherlands 7/2 04/15/04 108.8000 6.7000

102 Netherlands 7/2 04/25/00 104.5000 6.7000

103 Netherlands 7/2 04/25/00 102.7000 5.3300

104 Netherlands 9/1 10/15/00 110.4000 6.8200

112 Netherlands 9/1 10/15/00 111.4500 6.8200

125 Netherlands 7/2 04/25/00 103.5000 6.2400

126 Netherlands 7/2 04/25/00 103.5000 6.2400

127 Netherlands 7/2 04/25/00 103.5000 6.2400

128 Netherlands 7/2 04/25/00 103.5000 6.2400

129 Netherlands 7/2 04/25/00 103.5000 6.2400

130 Netherlands 7/2 04/25/00 103.5000 6.2400

131 Netherlands 7/2 04/25/00 103.5000 6.2400

132 Netherlands 7/2 04/25/00 103.5000 6.2400

133 Netherlands 7/2 04/25/00 103.5000 6.2400

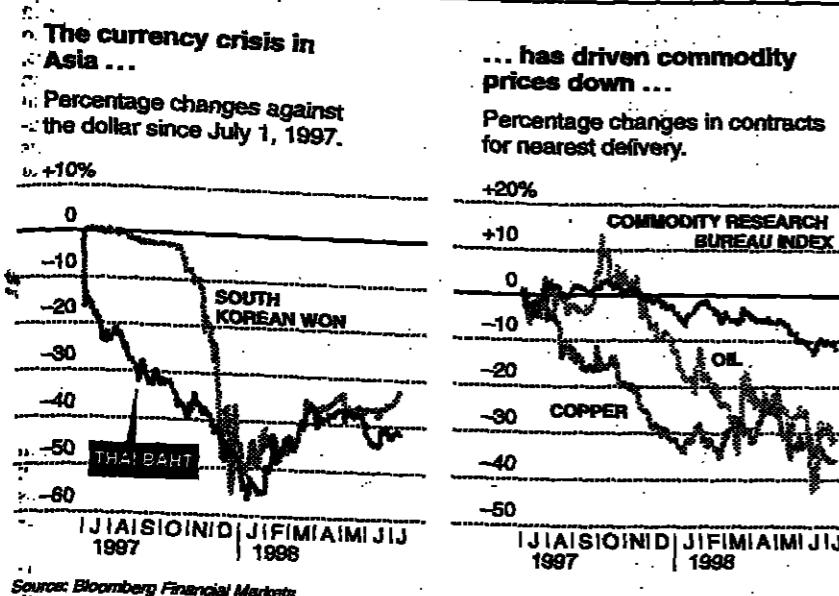
134 Netherlands 7/2 04/25/00 103.5000 6.2400

135 Netherlands 7/2 04/25/00 103.5000 6

BUSINESS/FINANCE

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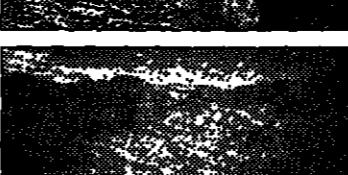
... has driven commodity prices down ...

Percentage changes in contracts for nearest delivery.

+20%

COMMODITY RESEARCH BUREAU INDEX

... making waves around the world.

MEXICO
With 40 percent of government spending dependent on oil revenue, the budget has been cut by \$3.7 billion.CANADA
Commodities account for 40 percent of its exports. Falling prices for timber, coal and other raw materials have caused its currency to plunge.CHILE
Its budget has been cut by \$685 million in response to the slump in the price of copper, its major export.

Jakarta Rings Alarm On Foreign-Debt Bill

Official Says New Credits Will Be Needed

By Michael Richardson
International Herald Tribune

rector of the Center for Strategic and International Studies in Jakarta.

With the approval of the International Monetary Fund, the Indonesian government is seeking additional loans of \$4 billion to \$6 billion from the United States, Japan and European nations, as well as the World Bank. It needs the money to cover a budget deficit inflated by the need to pay for essential food and medical imports, for fuel and food subsidies for the poor, for programs to provide jobs and basic medical care and to help keep children in school.

Unless the budget-support credits are secured, the IMF says, it cannot approve proceeding with a \$41.2 billion in international loans to Indonesia, which foreign aid officials say is needed urgently to prevent a dire economic situation from becoming worse.

Economists said Sunday that the warning, from Gintandjar Kartasasmita, the coordinating minister of the economy, finance and industry, was intended to put pressure on creditors in negotiations aimed at completing details of an emergency loan package in the next few days.

But they said that the warning also was a measure of the increasingly desperate situation in the world's fourth most populous nation as the economy collapses, throwing millions of people out of work and into poverty and increasing the need for government spending to alleviate social distress.

Mr. Gintandjar, who is heading a group of Indonesian officials and bankers that will meet Monday with lenders in Tokyo on the second leg of a six-country tour to rally financial support for Indonesia, said that rescheduling the government's debt burden might help resolve the country's financial difficulties.

"It is an option," he said. "It could be part of a solution."

Indonesia last month reached an outline agreement with a committee representing international banks to delay repayment of more than \$80 billion owed by cash-strapped private-sector and state-owned Indonesian companies.

But Indonesia has until now avoided talk of rescheduling its sovereign debt because this could damage government credibility, raise the cost of future borrowing and make investors even warier of returning to the country.

"Gintandjar wants to give a warning to the major donor countries and multilateral lending agencies that if Indonesia can't secure resources to fill the budget gap, it will have to reschedule its official debt," said Hadi Soesastro, an economist who serves as executive director of the Center for Strategic and International Studies in Jakarta.

See RUPIAH, Page 15

Plunge in Commodities Insulates Europe and U.S.

By Jonathan Fuerbringer
*New York Times Service***NEW YORK** — When Asia was hit by its economic earthquake a year ago, the shock waves quickly reverberated around the globe through the hair-trigger stock and currency markets.

But the more powerful impact is working through a slower-moving and less visible force: the markets for basic commodities like oil, metals and timber. And that helps explain why the ripples from the Asian financial collapse are continuing to hit hard at countries as far-flung as Canada, Chile, New Zealand and Mexico while the effect has remained unexpectedly benign in the

United States and Europe.

Overall, commodity prices are down almost 10 percent since February. For nations that depend heavily on selling raw materials and basic goods globally to generate growth and to support their government budgets, the pain has been sharp, contributing to job cutbacks, lower currency values, shortfalls in government revenues and ballooning trade deficits.

"There is no question that the weakness in certain commodities is reverberating in markets around the world," said Desmond Lachman, managing director of emerging markets economic research at Salomon Smith Barney.

A drop in the price of copper has hit

Zambia and Chile, while New Zealand has felt the impact of lower timber prices. Australia is suffering from a decline in wool prices; Canada bears the pain of lower coal and timber prices.

But the United States and Europe are in significantly different positions. Even though exports from Europe and America to Asia have dropped sharply and the United States exports a lot of its own commodities, it is far less dependent on them. In addition, generally affluent consumers in the two regions, the biggest economic entities in the world, have received a lift similar to the effects of a substantial tax cut because of the decline in commodity prices. This has largely cushioned the Asian fallout so far in the

United States and in much of Europe.

Consider the impact of lower oil prices, which have fallen from a high of \$12 a barrel in the last year to a low of \$11.56 a barrel last month. While not all of this is a result of the crisis in Asia, a major portion is attributable to the stalling of its economic engine.

That has translated into about \$14 billion in lost income this year to major oil producers like Russia, Mexico, Venezuela and the Middle East and a nearly equivalent bonus for energy consumers. For the United States, which produced 6.4 million barrels a day in April but also imported 10.4 million

in commodity prices. This has largely cushioned the Asian fallout so far in the

See COMMODITIES, Page 15

Two Tarnished Titans: IBM Rebounds as GM Stalls

By Tim Smart
*Washington Post Service***WASHINGTON** — At the end of 1992, they stood as tarnished titans of American business, symbols of a broad-based decline in U.S. industry.

International Business Machines Corp. and General Motors Corp. were two companies that had dominated their respective industries for decades. But the two giants had lost their way, seemingly out of sync with their markets and incapable of restarting their economic engines despite repeated attempts at cost-cutting and re-engineering.

Within the space of a few months, restless boards and impatient investors clamored for change and ousted the chief executives of both companies.

There the similarities end.

IBM's board chose a chief executive who had no experience with technology. Louis Gerstner Jr., instead, had a background in cookies, cigarettes and credit cards as chairman and chief executive of R.J.R. Nabisco Inc. and president of American Express Co.

GM chose a safer route. Its board, led by John Smale, a former Procter & Gamble Co. chairman, plucked John Smith Jr. from the company's European operations for the top job in Detroit.

And now, with GM facing a crippling

strike and falling market share, it looks as if Mr. Smith will retire within the next two years, leaving much of the work at GM still left to be done.

At IBM, meanwhile, Mr. Gerstner moved swiftly. He quickly reversed course on a strategy his predecessor, John Akers, had chosen to break IBM into several "Baby Blues." Instead,

Mr. Gerstner outlined in the spring of 1993 a strategy that focused on integrating the various elements of IBM into a cohesive whole, promising to sell "solutions" rather than just products. In doing so, he committed IBM to the services business, which is now the fastest-growing segment of its \$80 billion empire.

Within a year of Mr. Gerstner's arrival, IBM had posted its first profit in four years and had reversed a decline in its revenue.

In one of the first key moves, according to insiders, Mr. Gerstner hired Jerry York from Chrysler Corp. to become IBM's first chief financial officer.

It was Mr. York who spearheaded a cost-cutting campaign that removed \$7 billion in annual overhead from IBM and helped consolidate a number of piecemeal restructuring into a \$8.9 billion write-off — at the time the largest write-off ever undertaken by a com-

pany. The goal was to stop the hemorrhaging that had brought \$16 billion in losses over the preceding two years.

Second, former IBM executives and consultants, Mr. Gerstner brought an external view of the world to a company that was legendary for its insulation.

The choice of an outsider was critical, in the view of David Bliss, vice chairman of Delta Consulting Group, which has provided management advice to many big companies, including Xerox Corp.

"Lou Gerstner, coming in from the outside, was purposely from another planet," Mr. Bliss said. "If you look at GM, it doesn't appear they've ever done that."

Indeed, Mr. Bliss said, when GM did have an outspoken outsider on its board in the person of Ross Perot, the company eventually bought him out. By contrast, Mr. Gerstner brought a team of outsiders to IBM, including former associates such as G. Richard Thoman, now president of Xerox. Mr. Gerstner also held countless one-on-ones with top customers, often meeting personally with other CEOs to clinch deals.

Whatever he has done, it seems to have worked. The market value of IBM stock has increased more than \$70 billion since Mr. Gerstner took over. Last

year, its stock surpassed its all-time high of \$175 a share before splitting 2-for-1.

It closed Friday on the New York Stock Exchange at \$118.50, up \$1.44 a share.

Mr. Gerstner, who has already made tens of millions of dollars from his stock options, is not letting up. At the end of last year he agreed to stay another five years, and his current mantra, which he tells employees, investors and reporters, is: "What we've done so far just gets us back in the game."

In one of his first moves, Mr. Gerstner, coming in from the outside, was purposely from another planet," Mr. Bliss said. "If you look at GM, it doesn't appear they've ever done that."

Indeed, Mr. Bliss said, when GM did have an outspoken outsider on its board in the person of Ross Perot, the company eventually bought him out. By contrast, Mr. Gerstner brought a team of outsiders to IBM, including former associates such as G. Richard Thoman, now president of Xerox. Mr. Gerstner also held countless one-on-ones with top customers, often meeting personally with other CEOs to clinch deals.

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CYBERSCAPE

A Bid to Unscramble Encryption Policy

By Elizabeth Corcoran
*Washington Post Service***WASHINGTON** — A coalition of high-tech companies plans to unveil a plan on Monday that it hopes will persuade the U.S. government to dramatically loosen export restrictions on sophisticated data-scrambling technology.

Government officials say they are cautiously optimistic that the coalition's approach, dubbed the "private doorkell," will win their approval. The industry group hopes to win a license to export the

technology as part of "routers," computer hardware and software that transmit data over electronic networks. If approved, the proposal will mark an important shift in a struggle of more than five years over encryption technology that has pitted the government against high-tech companies and privacy advocates.

The coalition of 10 companies is led by the networking giant Cisco Systems Inc.

There are no restrictions on use of encryption technology in the United States. But both law enforcement

and national security agents have long worried that if sophisticated encryption technology becomes widely used, it will hinder their efforts to track down terrorists and criminals.

The government has tightly controlled the export of such technology.

Computer companies and privacy advocates argue unfettered access to the strongest forms of encryption is essential to ensuring privacy and promoting commerce in the information age.

Recently, officials on both sides have been struggling with whether they should devise a global solution or put together a mosaic of regulations that lets some companies sell sophisticated products to certain users under certain conditions. If the government and the private companies agree on the doorkell proposal, that would solidify the more piecemeal approach.

The doorkell proposal also would be an important piece in the mosaic because it would make sophisticated encryption technology much more available.

"The administration and the industry have all hit on the notion that they should take this a bite at a time," said Stewart Baker, former general counsel for the National Security Agency and now an attorney in private practice in Washington.

"We're pushing the issue, bringing it to a head," said John Chambers, Cisco's chief executive. If industry is broadly restricted from selling its best encryption products abroad, he added, "I think you slow down the

growth in business's ability to use the Internet and have influence over how it evolves."

Other companies in the coalition include Sun Microsystems Inc., Novell Inc., Hewlett-Packard Co. and Network Associates Inc., which makes security software. Although other major names in the industry, including Intel Corp., Microsoft Corp. and Netscape Communications Corp., are not currently filing for a "private doorkell" license, those companies said they support the approach.

Here is how it would work: Many organizations, whether they are private companies or Internet service providers, serve as gateways for managing the electronic messages sent by their employees or subscribers. Just before messages are released to the Internet, such organizations could encrypt or scramble them to protect the content from unwanted prying.

Every snippet of electronic mail carries with it the Internet address of the sender and receiver. And "routers" — the equipment that oversees the traffic — can be programmed to fish out specific addresses from the stream of data flowing through them. So either just before outgoing mail is scrambled or after incoming mail is deciphered, a router could pull out messages that law enforcement officers would specify in a warrant.

Business volume rose mainly as a result of a significant increase in our well diversified loan portfolio. In this context, lending on the money market made a major contribution to growth. Moreover, strong gains were recorded through the expansion of our securities portfolio. Consistent with our focus on controlling

operations amounted to DM 61.7 million. Net income totaled DM 15 million.

The Bank's success in 1997 reflects client satisfaction with the cost-efficient scope of our products and services. Concurrently, it reinforces our position in an increasingly Europeanized market environment.

From the Annual Accounts
DM million

	1997	1996
Total Assets	10,049	9,634
Due from Banks	4,732	3,783
Due from Non-bank Clients	3,716	4,279
Securities Portfolio	1,418	1,378
Deposits by Banks	3,548	4,586
Deposits by Non-bank Clients	5,657	4,453
Own Funds	349	239
Net Interest and Commission Income, Trading Results	105	192
Administrative Expenses	17	16
Taxes	49	85
Net Income	15	65

A copy of our annual report is available upon request.

Deutsche Girozentrale
International S.A.

16, Boulevard Royal, L-2449 Luxembourg, Tel.: (03 52) 46 24 71-1, Fax: (03 52) 46 24 77

CURRENCY RATES

Cross Rates

July 10

Country	Per \$	Country	Per \$	Country	Per \$	Country	Per \$	Country	Per \$
Australia	1.035	U.S.	1.245	Canada	1.177	U.K.	1.374	France	1.374
Bahrain	7.716	China, P.R.	2.047	Denmark	1.207	Germany	1.345	Iceland	1.345
Bangladesh	1.026	China, Rep.	—	Egypt	1.207	India	1.345	Ireland	1.345
Barbados	1.026	Colombia	—	Finland	1.207	Italy	1.345	Japan	1.345
Bhutan	1.026	Costa Rica	—	Greece	1.207	Korea, Rep.	1.345	Kuwait	1.345
Bolivia	1.026	Croatia	—	Hong Kong	1.207	Kuwait, State	1.345	Luxembourg	1.

U.S. MUTUAL FUNDS

Figures as of close
of trading Friday, July 10

Corp Name	Fd Name	Wt%	Cipe	Corp Name	Fd Name	Wt%	Cipe
AAL Mutual	A-	10.00 - .01		MinnIA	5.45 - .01		
Bond Fund	57.51 - .06			MutuaF	14.45 - .01		
CapGro	37.51 - .06			NYIA	20.77 - .08		
Equity Fund	14.45 - .07			Omega	5.30 - .01		
HYPDIA	10.16 - .02			Propri	9.84 - .01		
Equity Fund	11.51 - .02			RieschOp	7.27 - .15		
MICDS	15.45 - .04			Salencia	9.26 - .01		
Mutual Fund	11.59 - .02			SantCia	7.02 - .01		
SmallCap	12.67 - .02			Spica	20.84 - .04		
AAPL Invstv				Strata	21.45 - .04		
SmallBd	51.78 - .03			TIE Bda	4.14 - .01		
EdInCn	15.28 - .02			Unifund	9.03 - .01		
CapOp	42.44 - .16			Amher Express	10.95 - .05		
DistrGr	18.88 - .09			StockB	10.99 - .19		
DivDistrGr	15.54 - .04			BondI	5.52 - .01		
Global	15.21 - .01			Dividend	10.14 - .01		
GDIHGr	10.90 - .11			SMarBd	4.45 - .07		
Equity Fund	18.24 - .02			EdInB	12.44 - .01		
HGSTBd	14.22 - .01			EdInBd	4.54 - .01		
StocBd	16.00 - .16			Forica	5.09 - .01		
USStkBd	21.90 - .07			GIBBGr	6.08 - .01		
AHA Funds				Globar	8.87 - .01		
DivEqBd	20.78 - .13			Hypnia	12.76 - .09		
Foll n	10.19 - .01			Indust	12.54 - .01		
Urn n	10.24 - .01			Invest	11.54 - .01		
AIM Funds				ModiAn	11.88 - .05		
Advan P	5.20 - .01			Mutua	14.36 - .01		
Bond F	26.13 - .02			NewDB	20.34 - .01		
SMCDA	10.25 - .01			ProBd	9.49 - .02		
CapDev P	15.49 - .02			RochOp	7.17 - .15		
CherP	14.20 - .01			Select	9.26 - .01		
Consist	10.50 - .07			SMarBd	6.73 - .01		
DivMIA	16.13 - .01			StocBd	20.24 - .01		
EntMIA	10.86 - .05			Swiss	12.73 - .53		
EuropeA P	18.81 - .01			UtilitBd	9.03 - .01		
Equity Fund	19.93 - .18			Amer Express	10.65 - .05		
Equity Fund	10.20 - .01			BlodCr	11.87 - .01		
GIGRGr	9.77 - .01			BondY	5.25 - .01		
GIGPGr	10.08 - .01			DecInv	12.14 - .01		
GIMHIA	11.66 - .02			DEIV	10.16 - .04		
GIUBIA	21.01 - .13			Policity	10.33 - .01		
HYPA	10.08 - .01			GIMY	12.40 - .09		
IncoP	8.70 - .01			Medary	11.95 - .05		
INOGVA	9.28 - .01			Mutua	14.45 - .01		
INOGVA	10.59 - .01			NewDv	20.59 - .01		
INOGVA	8.59 - .01			SwissC	19.24 - .01		
LamAgenda	12.47 - .03			UtilitBd	9.03 - .01		
LamMIA	10.08 - .01			Amer Express	10.65 - .05		
MCDCBd	12.67 - .08			BlodCr	11.87 - .01		
MUB	8.33 - .01			BondY	5.25 - .01		
Pecita	4.93 - .21			DecInv	12.14 - .01		
SEKATA	10.83 - .01			DEIV	10.16 - .04		
StoraP	14.71 - .01			Policity	10.33 - .01		
TF InvP	11.04 - .01			GIMY	12.40 - .09		
VoluP	2.97 - .10			Medary	11.95 - .05		
WenGra	24.46 - .04			Mutua	14.45 - .01		
WidowP	13.22 - .13			NewDv	20.59 - .01		
AIM Funds				SwissC	19.24 - .01		
Bonds I	15.29 - .00			UtilitBd	9.03 - .01		
CherP	12.00 - .01			Amer Express	10.65 - .05		
CapOp	15.59 - .02			BlodCr	11.87 - .01		
CherP	10.50 - .01			BondY	5.25 - .01		
CostBd	10.28 - .05			DecInv	12.14 - .01		
EdInBd	9.03 - .13			DEIV	10.16 - .04		
Equity Fund	18.20 - .09			Policity	10.33 - .01		
GIGA	10.83 - .16			GIMY	12.40 - .09		
GROH	8.50 - .01			Medary	11.95 - .05		
GIGRGr	10.28 - .01			Mutua	14.45 - .01		
GIMHIA	11.45 - .04			NewDv	20.59 - .01		
GIUBIA	10.98 - .03			SwissC	19.24 - .01		
HYPA	8.68 - .01			UtilitBd	9.03 - .01		
HYPA	9.28 - .01			Amer Express	10.65 - .05		
HYPA	10.48 - .01			BlodCr	11.87 - .01		
INOGVA	12.47 - .03			BondY	5.25 - .01		
INOGVA	10.08 - .01			DecInv	12.14 - .01		
INOGVA	10.59 - .01			DEIV	10.16 - .04		
INOGVA	10.59 - .01			Policity	10.33 - .01		
INOGVA	10.59 - .01			GIMY	12.40 - .09		
INOGVA	10.59 - .01			Medary	11.95 - .05		
INOGVA	10.59 - .01			Mutua	14.45 - .01		
INOGVA	10.59 - .01			NewDv	20.59 - .01		
INOGVA	10.59 - .01			SwissC	19.24 - .01		
INOGVA	10.59 - .01			UtilitBd	9.03 - .01		
AMF Funds				Amer Express	10.65 - .05		
AdvFinC	12.59 - .03			BlodCr	11.87 - .01		
AdvInvC	17.35 - .08			BondY	5.25 - .01		
AdvMktC	12.67 - .02			DecInv	12.14 - .01		
AdvMktC	12.74 - .03			DEIV	10.16 - .04		
AdvMktC	12.74 - .03			Policity	10.33 - .01		
AdvMktC	12.74 - .03			GIMY	12.40 - .09		
AdvMktC	12.74 - .03			Medary	11.95 - .05		
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AdvMktC	12.74 - .03			Medary	11.95 - .05		
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AdvMktC	12.74 - .03			NewDv	20.59 - .01		
AdvMktC	12.74 - .03			SwissC	19.24 - .01		
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AdvMktC	12.74 - .03			Amer Express	10.65 - .05		
AdvMktC	12.74 - .03			BlodCr	11.87 - .01		
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AdvMktC	12.74 - .03						

This table shows the performance of Paxton-rated mutual funds through Friday and includes the top 100 funds in each category. These are monthly returns from January 1990 to December 1990.

group names are shown in bold face, with individual names in each group indicated below. Panels that

AV is the net asset value, i.e. the portfolio value divided by the number of shares outstanding, as reported by the fund through Reuters; NAV includes all sales or redemptions charges. Please choose the

same field footnotes : c - available only through a
retention plan; n - no trust-and-loan or confirmed
retained sales loan; p - fund assets are confirmed
in a retention plan; r - redemption fee or confirmed
retained sales loan may apply; x - restricted pur-
chase.

ice field toolboxes : a - ex capital gains distribution; previous day's quotation; s - stock dividend or split; ex cash dividend.

Angry Koreans Rally Against Layoff Threat But Protest Fails to Draw Expected Crowd

By Don Kirk
International Herald Tribune

SEOUL — The leaders of the largest labor organizations in South Korea led thousands of their followers Sunday in a flag-waving rally for job security in the face of government and business efforts to lay off about 500,000 more workers by the end of the year.

The rally in a park on the banks of the Han River, which divides central from southern Seoul, displayed both the strength and the weaknesses of the unions as they enter a week of planned strikes and work slowdowns that may force suspension of production at financially hard-hit heavy industries.

"Protect our jobs" was the slogan repeated again and again by Lee Kab Yong, president of the militant Korean Confederation of Trade Unions. "We must fight to the end against layoffs."

Mr. Lee said more than 100,000 workers, most of them in the motor vehicle and metal industries, would go on a general strike beginning Tuesday. Like several other recent general strikes, the walkout was expected to last about 48 hours.

For all the words, however, the rally Sunday drew only about 20,000 people, far fewer than the 100,000 that the organizers had predicted would come.

For many workers, the question was how the unions could stop rising unemployment. The government has said that 1.5 million South Koreans, almost 7 percent of the work force, are unemployed, amid forecasts that about 2 million will be out of work before the economic crisis hits rock bottom.

"We sympathize with them because they are losing jobs," said Kim Han Sung, an office worker, gazing upon the rally from an avenue beside the park. "This is the painful reality, we

have to bear because of the government's mistakes."

For union leaders, the failure of the government to avert the crisis provided a rallying cry.

"First the government must restructure itself," said Park In Sang, president of the Federation of Korean Trade Unions, which is often viewed by members of the Korean Confederation of Trade Unions as too submissive to government demands. "We do not have to bear the burden."

Many workers at the rally were from financial institutions, including five banks that the Financial Supervisory Commission liquidated after deciding that they were financially insolvent and overburdened with debts from companies on the brink of bankruptcy.

But compared with workers in heavy industries, bank employees appeared less enthusiastic to join in the general strike called by the Korean Confederation of Trade Unions.

Choo Won Suh, president of the Korean Confederation of Banking Unions, said he preferred first to pursue talks with the government through a committee of government, business and labor representatives before deciding to join in a general strike.

With 30,000 of the 150,000 bank workers in South Korea already out of jobs, he said he hoped to work out a plan under which banks would lay off workers gradually.

Among the workers' greatest concerns was takeover by foreign companies. "We don't know what they will be like," said Choi Jong Kuen, a union worker. "Their style is different."

A pamphlet handed out by workers from the metal industry called plans to privatize Pohang Iron & Steel Corp. "a betrayal of the nation." Many of the workers were employees of Pohang,



South Korean union members shouting slogans Sunday during a demonstration in Seoul to protest layoffs as the economic crisis deepens.

one of 11 companies currently owned all or in part by the government and that are to be sold.

One of those is Korea Telecom Corp., the national telephone company.

The union representing 58,000 workers there asked, "Do foreign investors want our economy to survive?" The answer, the union said, was, "Once they get profits, they will leave."

closing of the loophole and shift control of the use of hybrid structures from the Treasury Department to Congress. The amendment was later dropped.

When the dust settled, the Treasury Department agreed to allow multinational companies that already used the loophole to continue to do so permanently. It also agreed to allow some limited new hybrid structures to be set up for the next six years and promised not to revisit the issue for at least two years.

"This measure signaled that Congress can't stand up to industry," said Michael McIntyre, a tax law professor at Wayne State University in Detroit who has written extensively about the tax loophole.

It allows American companies to set up offshore "hybrid" tax arrangements that, through complicated swaps, let companies escape U.S. taxes on overseas profits and turn those profits into deductions to reduce their foreign tax bills.

The arrangement, which is legal, permits a multinational corporation to set up a holding company in a tax haven like the Cayman Islands or Liechtenstein.

By swapping profits from an overseas operation, say a big American company's Brazilian subsidiary, for a loan from the company's Cayman operation, the following happens: The American company's Brazilian operation and its profits, disappear for U.S. tax purposes, and the company now has a huge, and deductible, loan payment in Brazil to cut its foreign taxes. These continuous swaps take place entirely outside the company's U.S. operations.

"This is one of the biggest tax giveaways," Mr. McIntyre said. "It's outrageous, and as tax policy, it is indefensible."

The Treasury Department would not comment, but it had sought to stop American companies from shifting more and more of their operations overseas to take advantage of the loophole. The whole issue may be revisited again in 2000, when the Treasury Department has said it will try again to close the loophole.

SHORT COVER

Pakistan Tightens Currency Control

KARACHI, Pakistan (Reuters) — The central bank on Sunday clamped new curbs on foreign exchange in a fresh move to conserve hard currency and avoid a moratorium on \$30 billion of foreign debt.

The State Bank of Pakistan said that importers would have to finance 30 percent of their foreign purchases from their own pockets instead of trying to get the hard currency from the central bank.

The bank did not say whether the margin would have to be financed in hard currency or the rupee, and bankers said they were awaiting clarification when business resumed Monday.

Vickers Sells Cosworth to Audi

LONDON (AP) — Vickers PLC said Sunday it sold its engine-making subsidiary Cosworth to the German automaker Audi, a subsidiary of Volkswagen AG.

Audi offered 350 million Deutsche marks (\$192 million) for Cosworth in June. But the deal was contingent on regulatory approval and the sale of Vickers' Rolls-Royce division to Volkswagen.

Volkswagen completed its purchase of that division on July 3. Europe's No. 1 automaker beat out its German rival Bayrische Motoren Werke AG and paid \$780 million for Rolls-Royce.

Vickers said Sunday the sale of Cosworth was due to be completed after regulatory approval by the European Commission.

Nokia Postpones Plans for India

NEW DELHI (AFP) — Nokia Oy of Finland said Sunday it was putting on hold a plan to manufacture cellular telephones in India.

"Prevailing market conditions have forced the company to temporarily shelve the cellular phone project," Hannu Karavirta, chief of the company's Indian subsidiary was quoted as saying by the Press Trust of India.

"Once the conditions improve we will go ahead with the project," he said without elaborating on the conditions were.

India's private cellular telephone firms are facing huge losses because of high service costs and license fees to the government and steep import duties on handsets.

BIS Opens Office in Hong Kong

HONG KONG (AFP) — The Bank for International Settlements has opened a representative office in Hong Kong to serve as a regional center for its activities in Asia.

With the establishment of its first representative office, the BIS said Saturday it hoped to "further the relations between the BIS and central banks and monetary authorities in the region."

The BIS had previously only operated from its headquarters in Basel, Switzerland. The BIS is an international financial organization whose main objective is to provide a forum for international monetary and financial cooperation.

Vietnam Privatization Falls Short

HANOI (AFP) — Shares in only 11 state-owned enterprises were offered in the first half of the year, compared with a government target to privatize 150 state firms for the whole year, the official Vietnam News Agency reported Sunday.

This brings the number of state-owned companies sold to the public to 29 since 1992 when Vietnam launched its privatization program.

The slow pace was attributed to complicated procedures, an absence of a competitive environment for businesses in different sectors, and the absence of a stock market, the agency said.

Retail Price Index Declines in China

Compiled by Our Staff Press Dispatchers

BEIJING — Retail prices in China fell by 3 percent in June from a year ago, state media reported Sunday, marking the ninth straight month of negative inflation for retail prices.

In May, prices were 2.7 percent lower than a year earlier.

The reports gave no reason for the continued slide in prices. Economists, however, attributed the drop in part to slowing economic growth and good harvests in the past three years. Grain prices in May were 8.5 percent lower than a year earlier.

A different index, consumer prices, was also lower in June than a year ago, by 1.3 percent. The consumer price index adds rent, utilities and some services to the retail index. In May it was 1.0 percent lower than a year earlier.

Retail prices for the first six months of the year were 2.1 percent below the level of a year earlier. Consumer prices were 0.3 percent lower. China's inflation target for the year is 3 percent or less.

Officials have warned that economic growth is falling seriously short of its goal of 8 percent growth this year.

"Economic growth is estimated at 7 percent during the January-June period, and it will be a formidable challenge for the country to reach the 8 percent goal for the whole year," Zeng Peiyang, minister of the State Development Planning Commission, told the China Daily on Sunday.

Mr. Zeng said the govern-

ment planned more investment in infrastructure projects to boost local economies.

The government has decided to intensify investment in construction of rural power grids and grain depots and expansion of forestry in a bid to further upgrade domestic demand," he said.

The China Daily said that funding for this investment would require fresh issues of treasury bonds this year. Last year, some 241 billion yuan (\$29.11 billion) in bonds were issued, but the total this year is expected to be significantly over 300 billion yuan.

In another report on Sunday, the China Daily said that a number of ailing financial institutions were expected to be forced out of business after the government adopts new regulations, which have been passed in principle by the State Council.

"A batch of financial and non-financial institutions are expected to be affected by the release of regulations on closing illegal financial institutions and illegal financial businesses," it said.

About one-third of China's trust companies are losing money and one-third are unable to repay debts.

The American credit-rating agency Moody's Investors Service Inc. warned early this month that widespread bank closures were likely as the People's Bank of China struggles to bring the country's chaotic financial system under control.

(Bloomberg, AFP)

RUPIAH: Indonesia Warns of Risk to Debt-Repayment Schedule

Continued from Page 13
ued to meet in Washington on Wednesday to review Indonesia's economic progress.

The board meeting for the program review will be held after assurances of \$4 to 6 billion additional funding from official sources have been obtained, which we expect by early next week," the IMF said.

Mr. Giandjaran, who was in the United States last week for talks with senior government and IMF officials, and will visit South Korea, Singapore, France and Germany after Japan — said that Indonesia's top priority was simply to stabilize the economy. "We're not thinking about growth," he said. "We want to stop the downside."

He said that the government was determined to restructure and strengthen the operations of the debt-laden banking sys-

tem, and to curb inflation, which is already at an annual rate of 60 percent and rising.

But Mr. Giandjaran said that it was also essential to establish a social safety net for the estimated 80 million Indonesians who live in poverty because of the economic breakdown of the last year.

The poverty line is officially defined as \$2,470 rupiah (\$3.43) per person per month.

"Many workers ... are hungry. They have no jobs or money to buy their basic necessities," Teten Masduki, head of the labor division of the independent Legal Aid Foundation, told Reuters. "How can you have political stability when your people are starving?"

The Central Bureau of Statistics said recently that the number of people living below the poverty line was likely to increase to nearly 96 million — about half the population — by the end of 1998, while the Manpower Ministry said that unemployment was projected to reach nearly 17 million out of a work force of around 90 million.

The government said that the economy would contract by close to 14 percent this year, in Indonesia's first recession since 1963.

Some private economists are much more pessimistic, saying that it could shrink by as much as 25 percent — one of the most severe plunges in production and living standards any nation has experienced since World War II.

Recovery is likely to be slow.

Mr. Giandjaran said he did not expect growth to resume for about two years.

The cost of repaying Indonesian government debt, about two-thirds of which is denominated in dollars, has leapt because the value of the Indonesian currency has fallen about 80 percent

against the dollar in the past year. The total amount the government has to repay in principal and interest on its foreign borrowing in the year through June 1999 is around \$7.3 billion.

Stephen Taran, head of sovereign risk research in the Hong Kong office of Salomon Brothers, said that Indonesia was faced with a choice: if the government's own rupiah revenues were insufficient to meet its essential expenditures, then it might decide to cut debt service payments and use the money saved in such areas as helping the poor and paying for the military.

He said that with leading members of the government, including Mr. Habibie and Mr. Giandjaran, positioning themselves for elections due by the end of 1999, cutting expenditure further would work against their political ambitions.

COMMODITIES: U.S. and Europe Are Spared as Prices Plunge

Continued from Page 13

barrels daily, the positive gain for consumers has far outweighed the negative impact on oil dealers.

Allen Sinai, chief global economist at Primark Economics, is predicting that lost growth from U.S. exports and the substitution of cheaper Asian imports for products made in the United States could cut as much as 1 percentage point off the increase in gross domestic product this year.

But at the same time, he estimates that the decline in oil prices, by putting more money into the pockets of U.S. con-

sumers and businesses, will add back much, though probably not all, of the growth lost through declining trade.

This is not the only stimulus from Asia for the U.S. economy. The flight of foreign investors from Asia's problems and into the haven of U.S. Treasury bonds has bolstered the dollar and pushed U.S. long-term interest rates to record lows. The near absence of inflation has been helped by lower commodity prices and cheaper import prices. All that has allowed growth to perk along without the inflationary pressures that would normally force the Federal Reserve Board to apply the

brakes.

Both low rates and low inflation have fueled the stock market rally, adding to the "wealth effect" from the bull market that has fueled growth by stimulating spending.

For the United States, Mr. Sinai said, "It is possible that the positive byproducts could be more than enough to offset the negatives."

But for major commodity-producing nations, the cushion has been less comforting.

In Canada, where commodities make up about 40 percent of exports, the Canadian dollar has been bouncing off record lows, largely because of the weakness of commodity prices. While the economy is still forecast to grow around 3 percent this year, Ottawa has abandoned its policy of raising interest rates to support the Canadian dollar. That has helped offset some of the Asian impact, according to Ram Bhagavan, chief financial economist at Citibank.

Analysts are predicting that the commodity-sensitive economy of New Zealand could tip into a short recession because of a falloff in sales of lumber, fish, fruits and vegetables. And if Japan — one of the principal buyers of goods from New Zealand

— remains mired in recession, prospects could worsen.

In Australia, the currency plunged to a 12-year low in June as new forecasts showed that total commodity exports should fall by 1 percent over the next year, after rising more than 7 percent the previous year. Like Canada, Australia may have enough domestic demand to keep it out of a recession. But some economists are scaling back their growth forecasts.

The continued low level of commodity prices means that many countries — along with their financial markets — will probably remain vulnerable to further shocks for some time. Even in Canada and Australia, the weakened currencies will mean growing trade deficits and inflationary pressure as import costs rise.

Money in stock markets around the world can move quickly, often in anticipation of fundamental economic changes expected in the future.

But a meaningful rebound in commodity prices will probably not occur until the economies of Asia actually turn around and begin to consume more oil, copper, coal, fish and vegetables.

CROSSWORD

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THE WORLD CUP IN KOREA 2002

TWO ASIAN VENUES MAKE FOR A HISTORIC FIRST

Never before in World Cup history have two countries been host.

In 2002, two historic firsts will occur in the world of soccer. The World Cup will be held in Asia, and it will be hosted by two countries, South Korea and Japan.

Both countries fought hard for the privilege of hosting the world's most popular sporting event, which is expected to attract 4 million spectators and 40 billion television viewers in 2002. South Korea put itself forth as a soccer-loving nation with a national team and experience in hosting the 1988 Olympic Games, while Japan promised top-of-the-line facilities.

In 1996, the International Federation of Association Football (FIFA) surprised the world by announcing that the two countries would share the games.

FIFA officials said that the disappointment to either country would be too great if it lost out, and took the diplomatic route by changing their own rules to allow two countries to host the cup.

Once the decision was made, the two countries put their historical rivalries behind them to work together in "a new era of harmony."

Another significant joint effort involving the World Cup seems possible. In June, Choi Pyung-Ju, vice president of North Korea's soccer association,

said that some cooperation between the northern and southern parts of the country might be possible, such as a joint team or the holding of some matches in the North. The South's Korean Football Association has been given permission to discuss the joint team proposition with Pyongyang.

What might have been sticking points between Korea and Japan were quickly ironed out, and it was decided that the official name would be the 2002 World Cup Korea-Japan and that opening ceremonies and the opening match would take place in Korea and the final match and closing ceremonies in Japan.

Korea is a nation of soccer lovers. Its national soccer team, founded in 1983, has qualified for the World Cup five times. Everyone in the country

seems to play the game, including women and men in their 60s and 70s. Schools, universities, communities and companies have their own teams and organized competitions.

Soccer has a long history in Korea. A game similar to modern-day soccer, called *chook-kook*, was played during the Three Kingdoms Period more than 1,500 years ago and is still re-enacted today on special occasions. In 1896, the



TOP-NOTCH STADIA, COMMUNICATIONS

The World Cup budget might be tight, but officials are not sacrificing quality in building projects.

The Asian financial crisis is not stopping South Korea from building a new stadium in the Sangam district of western Seoul for the 2002 World Cup. The tournament's opening ceremonies and semi-finals will be held there. Minister of Culture and Tourism Shin Nak-Kyun made the announcement in May following the recommendation of a committee that had studied the feasibility of the project as well as other options.

The new stadium will seat 65,000 and requires an investment of approximately 200 billion won (\$146.4 million), with 30 percent to be financed by the city and 30 percent by the national government. The multipurpose stadium will include a driving range and other recreational facilities.

The government has announced that it is looking at the possibility of foreign sponsorship of the stadium, with rights to be sold for \$100 million. The stadium would be named after the sponsoring company for the duration of the 2002 World Cup. An advisory committee headed by Seoul's vice mayor, Kim Hak-jae, is charged with setting up a consortium for the design and construction of the stadium.

Plans had been made to build 10 new stadia for the World Cup — in Seoul, Suwon, Inchon, Taejon, Taegu, Chonju, Kwangju, Ulsan, Pusan and Sogwipo — but the financial crisis might lead the country to scale back to seven or eight cities. In addition, negotiations are still under way on the possibility of holding some games in North Korea, which could change the configuration of the venues.

FIFA, the governing body of world soccer, has sold the television rights for the 2002 World Cup for a record \$1 billion. As in the 1998 World Cup, 32 teams will compete in 64 matches.

Heidi Ellison

Plans for a 65,000-seat stadium that was to be constructed in Dukson on the



This part of the new Inchon International Airport will resemble a traditional Korean folding fan.

northern shore of the Han River were canceled in May after it was decided not to hold World Cup games in the city and because of financial difficulties experienced by the contractor.

Telecoms cooperation

Telecoms officials of Korea and Japan agreed in late 1997 to jointly develop information and communications technologies to be used during the 2002 World Cup, including communications, broadcasting and Internet services. Virtual reality technology will allow viewers to see the game as if they were in the stadium and will serve as an electronic commerce system and provide practical information for tourists. The officials also agreed to develop a high-definition television standard and an experimental three-dimensional television broadcasting standard.

While economic worries have led to the scaling back of some infrastructure projects, such as the Seoul-Pusan high-speed train link, the new Inchon International

Airport on Youngjung Island, 52 kilometers (32 miles) west of Seoul, is expected to be in operation in 2001, in time for the 2002 World Cup. The airport is far enough away from the city to allow it to operate around the clock and will have transportation links to Seoul and other cities. Travel time between the airport and downtown Seoul will be around 40 minutes.

One of the world's largest airports, it will be able to handle up to 170,000 flights, 27 million passengers and 1.7 million tons of cargo per year. It will take over the international operations of Seoul's overstretched Gimpo Airport, which will become the country's domestic hub. By 2020, Inchon's capacity will be increased to accommodate 530,000 flights, 100 million passengers and 7 million tons of air cargo annually. The cost of the first phase of construction is approximately 4 trillion won, with 40 percent coming from the government.

The new airport will serve as a North Asian hub that is within a four-hour flight of 43 major Asian cities, including Beijing, Shanghai, Hong Kong, Tokyo, Osaka, Taipei and Manila.

It will be equipped with a state-of-the-art voice, data and video communications system, to be supplied by AT&T.

To provide the needed facilities for the influx of World Cup visitors, Seoul officials have offered financial and tax incentives to encourage the building of hotels, condominiums and convention centers in the city.

H.E.

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Writers: Heidi Ellison in Paris and Paul Hicks in Hong Kong
Program Director: Bill Mandel

SOME OF THE PLANNED VENUES



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'THE WORLD CUP IN KOREA 2002'

SEOUL IS OLD AND NEW, LIVELY AND PEACEFUL

The capital has enough attractions to compete with the World Cup games.

Besides the excitement of soccer matches at the new, state-of-the-art Sangam district stadium, the city of Seoul has a great deal to offer. World Cup visitors will enjoy an enticing blend of ancient and modern influences, traditional Korean food and culture, and bustling markets.

Seoul has been the Korean capital since the Chosun Dynasty in the late 14th century. While most of the city is now modern and cosmopolitan, it still nonetheless retains a number of ancient gates, palaces and temples. Divided into north and south by the Han-Gang River, most of the older parts of the city are north of the river, while the south is expanding fast and is the site of recent commercial development in the capital.

Ancient attractions
The Toksugung Palace, Kyongbokkung Palace and Secret Garden are some of Seoul's most visited ancient buildings, comprising ancient pagodas and elegant pavilions set in beautifully landscaped gardens. Two of the city's oldest treasures are the distinctive south and east gates north of the river, Namdaemun and Tongdaemun. Both were constructed shortly after Seoul was founded as the Korean capital — and both have lively adjoining markets offering a wide variety of goods at rock-bottom prices. The Yongsan Electronics Market is the largest electronics specialist market in the region, with approximately 5,000 stores housed in 22 build-

ings and prices that are on average 30 percent cheaper than regular stores.

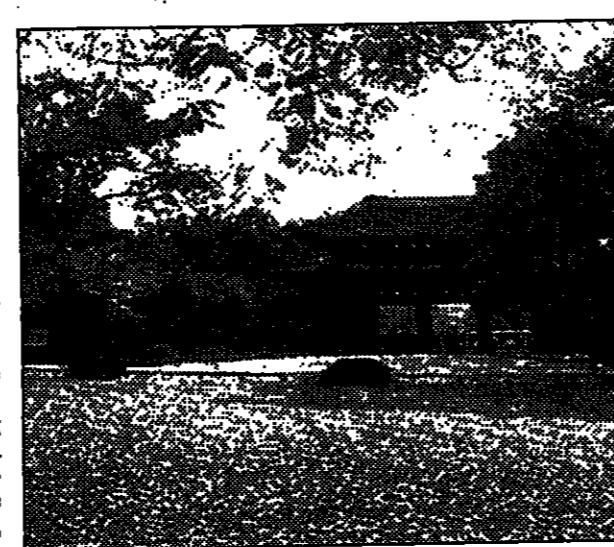
Not far from Tongdaemun market is the dense network of narrow streets and alleys known as Myong-dong, the center of Korea's fashion district, which is packed with boutiques and coffee shops where Seoul's young and trendy hang out. You need look no further to explore the authentic heart of modern Seoul.

Oasis
One of the most pleasant areas for strolling around is the quiet Insa-dong antique district, to the northwest of central Seoul and close to the leafy T'apko Park. The park has a 10-story stone pagoda.

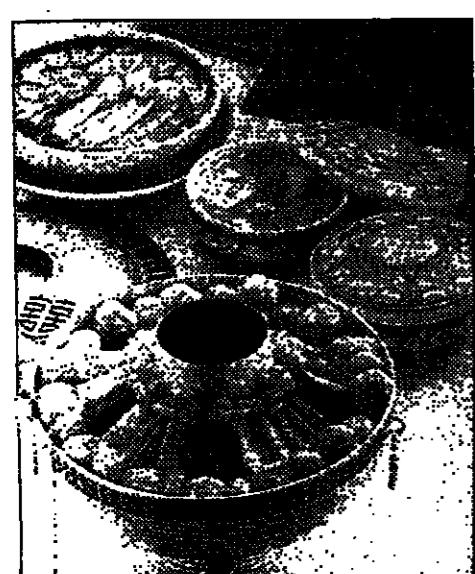
The main street in the area runs for a little over half a kilometer (a third of a mile) and is lined with antique shops, galleries and traditional Korean tea houses. This is an excellent place to shop for calligraphy, paintings, ceramics and Korean chests.

The area is also home to one of the country's most delightful eateries, Sanch'on, a traditional vegetarian restaurant that features performances of Korean traditional dance during the meal. Soju, traditional Korean rice wine, is served with the spicy food.

Seoul also has many museums, including the National Museum, War Museum and a permanent exhibition from the Daewoo corporation showing what homes could be like in the future. The exhibition, Human Space, is located near Seoul's railway station.



From top: the Hyangwonjeong Pavilion in Kyongbokkung, the Secret Garden at Ch'angdokkung, a traditional dance. Paul Hicks



A meat, fish, vegetable and bean curd casserole.

Nightlife
When it comes to nightlife, most foreign visitors enjoy the exciting Itaewon district, a lively area of cut-price stores that sell leather, clothing and sporting goods by day and that becomes the center of Western-style nightlife after dark.

The pubs, discos, jazz clubs and bars have catered to the U.S. armed forces for years, and English is widely spoken. Not far from Itaewon, J's at the Grand Hyatt is a popular spot for the jet set to make merry into the small hours, while O'Kim's at the Westin Chosun Hotel is a favorite Irish pub hangout for both locals and visitors.

Throughout the city, visitors will find European-style watering holes that are popular with South Koreans as well as with foreigners. These are the beer halls, which are easily spotted by their "hoy" signs. They will doubtless be packed with enthusiastic soccer fans throughout the World Cup tournament.

Paul Hicks

HISTORY AND CULTURE BECKON VISITORS OUTSIDE THE CAPITAL

The tournament destinations outside the capital offer unique sightseeing.

The World Cup tournament will not be limited to Seoul. Up to 10 South Korean cities and towns will host part of the event, which will give visitors the chance to experience many of the country's diverse attractions while following the soccer action. The countryside, still relatively unknown to foreign visitors, is renowned for its stunning mountain scenery, secluded pagodas and hermitages, and rich history. Visitors should not miss this golden opportunity to explore the Land of the Morning Calm, as the country is called.

The planned host cities closest to Seoul are the university town of Suwon, and Inchon, one of Korea's main ports. Inchon is rapidly expanding to become a major Northeast Asian shipping hub. Nearby Kangwha Island is a scenic spot famous for its woven mats with exquisite designs of dragons, tigers and phoenixes. The town of Suwon plans to stage concerts and exhibitions in addition to football matches.

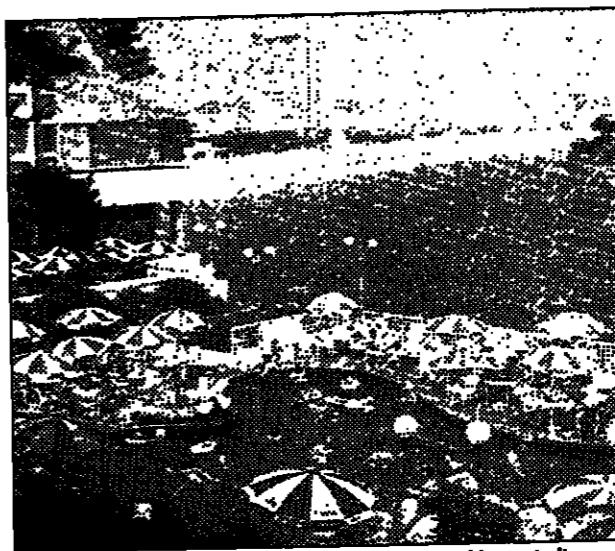
About two hours farther south by road, Taejon is an important hub for traveling around South Korea, since it is located in the center of the country. Its attractions include the high-tech Expo Science Park, where visitors can see dazzling displays of modern technology alongside such natural wonders as Mt. Kyeryong National Park and the Yusong Hot Springs. The region has several modern hotels.

World Heritage site
From Taejon, visitors can head southeast to Taegu, Ulsan and Pusan and southwest to Chonju and Kwangju. The southeast is generally regarded as the area richest in tourist attractions. Taegu has

been selected to host the 2001 Summer University Games. It is a city with an ancient heritage, including the Buluk Temple. The temple, built in A.D. 751, is one of the oldest surviving monasteries in Korea and is a UNESCO World Heritage site.

Mt. Maisan and Mt. Chirisan are national parks with some of the most stunning scenery in Asia: miles of cherry blossoms and running streams dotted with secluded temples and pagodas.

Last but not least, guests



Haeundae Beach in Pusan, South Korea's second-largest city.

has a deeply entrenched soccer culture, with 194 registered soccer clubs. Nearby Pusan is Korea's second-largest city after Seoul. Pusan offers beach resorts, hot springs and national parks. It is also famous for its seafood.

Kwangju and Chonju are in the fertile southwest of South Korea, surrounded by idyllic national parks. The southwest area is known for some of the best food in South Korea, including *pibimpap* — a large bowl of rice mixed with vegetables and minced meat, many types of *kimchi* and the spicy *kochujang* red chili sauce. Chonju is the best place to find shops

may be able to enjoy soccer matches at the fishing port of Sogwipo on the south coast of Cheju Island, South Korea's most southerly point and a year-round favorite with tourists because of its mild and sunny climate.

Sogwipo and the stunning resorts surrounding it are just a 20-minute drive from Cheju airport, and the area is the best equipped outside of Seoul for international conferences and conventions.

The world-class Shilla Resort, which has just opened a new conference wing, is located nearby.

Cheju is also a favorite honeymoon destination for South Koreans. P.H.

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WORLD CUP

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MONDAY, JULY 13, 1998

In Brazil, It's a Kind of Madness

Serious Soccer Culture Unites an Economically Polarized Society

By Anthony Faiola

Washington Post Service

RIO DE JANEIRO — In the Mangueira shantytown perched in the shadow of Maracana, the world's largest soccer stadium, a round, leather ball holds the dreams of a poor boy with a lot of talent. The ball also embodies 11-year-old Jonathan Ribeiro da Silva's hopes here, where he fantasizes that professional soccer may someday take him out of Rio's poverty and halfway around the world like so many of the stars of Brazil's World Cup final team.

"I kicked a ball playing soccer for the first time when I was 2," Ribeiro da Silva said before his match at the Vila Olímpica sports training ground. The boy, considered by his coaches to be one of the best young talents on his team, later dribbled down the field, displaying the uncanny fluidity of the Brazilian players who seem born to rule the most popular sport in the world. He, like so many other young boys here, hopes to follow the legions of Brazilian soccer legends who have risen from the violence and chaos of Brazil's harsh ghettos.

One boy here who is just a few years older than Ribeiro da Silva already has an agent. Other boys display their hopes on the nearby paved pavement, where they have used pastel chalk to draw their idols on the Brazilian national team.

"My first ball wasn't a real soccer ball," the boy said shyly in Portuguese. "It was a small rubber ball I found in the street. But we see a ball and just kick it. That's the way it begins."

Brazil's success in soccer is based on an extraordinarily serious soccer culture that unites this economically polarized society. After all, this is the land of Pele.

who remains, in many circles, the most famous athlete to have played any sport. You don't just play soccer here. You light a candle to it. It is the thing Brazilians do better than anyone else. Theirs is the only nation to have played in all 16 World Cups. And every four years, when a World Cup begins, this developing nation, with a land area larger than the continental United States and a population larger than Russia's, reminds everyone: "Look, I am here, and I am something to be reckoned with."

"We have the best-trained teams and players in the world," Ricardo Rocha, a member of Brazil's 1994 World Cup championship team, said. "We start young, and add discipline with joy to playing the game." He added that some people believed it was just in their blood, "but the reality is that we work very hard at this game and take it very seriously."

THE national team's run in the World Cup has renewed the fervor for soccer here, and brought a sweet madness to this country. Virtually nothing else matters right now. It is headlining television news and newspapers, where everything from strategy to the stars' breakfast menu is reported meticulously.

In Rio, men and women are going to the beach wearing bikinis in the green and yellow design of the Brazilian flag to support the team. That same flag is draped on thousands of balconies across this sultry city. In the streets, on the beaches, anywhere where there is a patch of free space, *Cariocas*, the residents are called, play impromptu soccer games, wearing the national team's jerseys, riding the euphoria.

Meanwhile, it has become a marketing bonanza bigger than the Super Bowl. The national oil company is offering World Cup necklaces for about \$1 with each fill-up at its gas stations. Golden-colored replicas of World Cup trophies line souvenir shops that typically offer postcards and Christ on Mountain statues to tourists. Coca-Cola is offering plastic dolls of each national team player for a few bottle caps plus about 75 cents — many stores are sold out and parents and kids have been seen fighting over the dolls through car windows in Rio's notorious traffic jams.

Music groups are cutting songs and making videos about the glory of the national team. Twenty-nine of Brazil's best known artists collaborated on "World Cup Art," a traveling exposition. Brazilian poet Roberto Drummond penned a tribute to Brazil's goalie, Claudio Taffarel, who made two saves in a penalty-kick tiebreaker in a semifinal against the Netherlands.

Even President Fernando Henrique Cardoso's popularity ratings have surged in polls as a result of the national team making the final — not bad timing, with Brazilian elections only three months away. "When any country wins the World Cup, the people in power always get a benefit from that," the Rio de Janeiro mayor, Luiz Paulo Conde said.

Perhaps no one in Brazil will be watching the match more intently than the young boys in the shantytowns with the round, leather dreams.

"I'll watch that game and then go into the street and party with the neighborhood after we beat France," Ribeiro da Silva said while a group of kids played soccer nearby with a dirty tennis ball. When asked if he is sure Brazil would win, he responded with a puzzled expression. "Of course we'll win," he said. "We're Brazil."



Croatia's Davor Suker surging forward against the Dutch on Saturday. Suker scored 6 goals in the tournament.

Croatia Grabs 3d Place Consolation

By Steven Goff

Washington Post Service

PARIS — The World Cup third-place match usually does not serve much of a purpose. Saturday's unlucky contestants, Croatia and the Netherlands, would have preferred to go home following their semifinal losses, and almost every soccer soul in this city was far more concerned about Sunday's final between France and Brazil a few miles north of Stade de France.

But for Croatia forward Davor Suker, there was the matter of the coveted tournament goal-scoring title. And for the majority of the 45,500 spectators at Parc des Princes, there was the matter of Croatia's Slaven Bilic.

Every time Bilic touched the ball, ran near the ball or defended someone with the ball, he was drenched with ear-piercing whistles and hoots from unforgiving French fans. His offense, of course, was that he was a flop in Wednesday's semifinal between Croatia and France that led to French defender Laurent Blanc's suspension for Sunday's final.

On Saturday, Bilic was booed during the pre-game introductions, the post-game medal ceremony, even during Croatia's victory lap. The unofficial count was 38 rude receptions, 26 before halftime.

It was an otherwise joyous and historic night for the Croatians, who

equaled the best finish by a country making its World Cup debut — in 1966, Portugal also finished third — and became one of the smallest countries to claim a spot among the top three teams.

"What we have demonstrated is that our very, very small — perhaps unknown — country is able to show with great elegance what it is capable of," Coach Miroslav Blazevic said. "Hope-

CROATIA 2, NETHERLANDS 1

fully, more people will learn about our country because of this team."

Veteran midfielder Robert Prosinecki — a member of the 1990 Yugoslavian World Cup team who already had become the first player to score in the World Cup for two teams — gave Croatia a 1-0 lead in the 13th minute. And after 21-year-old Boudewijn Zenden tied it for the Netherlands eight minutes later, Suker struck in the 36th minute for his sixth goal of the tournament. He moved into first place in the goal-scoring race, breaking a tie with Italy's Christian Vieri and Argentina's Gabriel Batistuta. The only player who can realistically catch him is Brazil's Ronaldo, who has four heading into the finale.

Suker's game-winner — "just a masterpiece," teammate Igor Stimac said — came on the end of a crisp counterattack. Captain Zvonimir Boban pushed the ball to his left to Suker, who softly beat goalkeeper Edwin van der Sar from the edge of the penalty area.

Suker had a chance to increase his total midway through the second half, but just missed a long ball with a sliding attempt at the right post.

The Dutch shot on goal 20-5 and had six of the game's seven corner kicks. The main culprit was forward Patrick Kluivert, who was robbed twice by goalkeeper Drazen Ladic and missed three other clear opportunities.

"We played beautiful football," said Zenden. "But they were best with counterattacks and that's the way they scored."

Croatia went ahead in the 13th minute on a sequence started by Bilic. The ball made its way to left wing Robert Jarni, who cut across the top of the penalty area before passing to Prosinecki for a clever spin move past defender Arthur Numan and a 12-yard shot past van der Sar.

The Netherlands got even on Zenden's first goal of the tournament, a superb run on the right side that he capped with an off-balance shot from 22 yards that went over Ladic. But despite several chances in the second half, the Dutch did not have an answer for Suker's strike, and the flag-draped Croatians danced the night away on the rain-battered turf. Stimac said that for the past three days since losing to France, the team had shed many tears. "We've been very sad, but we managed to turn ourselves around and beat a very strong team."

And Now, Time for the Rating Game

The World's Greatest Sports Event, on a Scale of 1 to 10

By George Vecsey

New York Times Service

PARIS — One of the great traditions of soccer is rating the players (and the officials) after each game. This is serious business. When he was playing for Napoli, the added Diego Armando Maradona once threatened to kneecap an Italian reporter who had assigned him a 3 in the scale of 1 to 10 (but in which 8s are extremely rare).

In the spirit of La Gazzetta dello Sport and L'Equipe and other journals, I now deliver my highly personal World Cup ratings.

BRAZIL The Brazilians are the core of their sport, the way the Montreal Canadiens and Boston Celtics and Notre Dame used to be in theirs. Nobody resents the presence of Brazilian players or fans, who turn every city, every World Cup, into Carnival. Brazil has reached its fifth World Cup final, on sheer talent and institutional history. *Muito obrigado.* Thanks, so much.

FRANCE The team. They came into this World Cup with a reputation for being faint-hearted fold artists, but they have been charismatic and professional. It cannot all be attributed to being the home team. 7.5.

FRANCE The country. It is perhaps the most compactly compact country in the world. Paris is more beautiful than ever. Lyon and Nantes and Aix-en-Provence were delightful, and, in this jet-and-technology-and-Internet era, the people are far more flexible about visitors' gassy French. Even with their *dégoutant* smoking habits. 7.5.

FRANCE The American soccer establishment. Having praised U.S. officials for retaining Steve Sampson last year, I say we must call it a collective national failure. The United States is just not there. Sampson thought he had somehow become a genius. The older players overrated themselves, and set a bad example. The younger players did not have the heart of the older players. And the leadership let it happen. Don't hold your breath for qualification in 2002. For this year: 3.5.

FRANCE The railroads. Watching the lovely countryside floating by at 100 miles per hour (160 kph) or more, I wanted to never get on an airplane again. I love the train stations, with their bars and newspaper kiosks, in the hearts of the old cities. Bon voyage. 8.

FRANCE The best game I saw: Nigeria 3, Spain 2, on a chilly, rainy afternoon in Nantes. Those two teams went at the goal for 90 minutes, nonstop. 7.

FRANCE The best half I saw: England 2, Argentina 2, on a hot night in Saint-Etienne. Then the idiotic second-half foul by David (Red Card Spice) Beckham turned the game into a defensive trudge. 7.5, followed by a 4.

FRANCE The people. The Portuguese con-

gregate in our building, the African cabbies, the Vietnamese man who runs the Saigon restaurant in Aix, the immigrants who work hard and make this country run. The French street cleaners who found my World Cup credential and called *'I'm New York* Times bureau to return it. The people who cooked the excellent \$10 plats-du-jour in the cafés right below our flat. The old ladies who would stop and offer directions. *Je vous remercie.* I thank you. 9.

THE VOLUNTEERS At the press centers. They all spoke three or four languages. They knew how to get information. They were worldy and adult. I wish they'd been in Atlanta for the 1996 Summer Olympic Games. Another 9.

THE FRENCH ORGANIZING COMMITTEE For allowing journalists to smoke incessantly in every press center I saw, including cramped offices where we had to grovel for tickets. I'm sending you my dry-cleaning bills, and if I come down with emphysema or asthma or worse, you'll be hearing from my lawyer. 0.

THE WORLD SOCCER BODY, known as FIFA. For making it difficult for a soccer-loving columnist to cover my fifth World Cup, for not making sure we all have seats for games and access to interviews after games, for not providing press conferences or reliable information on practices, for falling even further behind the press-information skills of all major sports leagues in North America. 2.

THE WORLD CUP. Having expanded the tournament from 24 to 32 teams, FIFA now recognizes that it is too long at 33 days. But there has been a laudable attempt to include African, Asian and North American teams, even if they get bumped out early, plus a noticeable recruitment of talented Third World officials. FIFA has set up serious problems by splitting the 2002 World Cup between Japan and South Korea.

Despite the bumbling and the arrogance, this is still the greatest sports event in the world. 7.

For Fans, It's a Question of Devotion

By Amy Shipley

Washington Post Service

OZOIR-LA-FERRIERE, France — A samba drumbeat pounded in the nearby stadium, as did shrieks and shouts and a continuous undertone of jangling tambourines and spirited chanting.

Outside, a Brazilian fan, Wallace Leite, placed his beaten-up drum down upon the dusty earth, pausing for a few moments of rest.

Wearing a yellow and green bandanna, a yellow Brazilian team jersey, a Brazilian undershirt — his lucky shirt — and a jacket bearing his country's name in large letters, Leite said he would be happy to explain to a visitor the meaning — the real meaning — of the World Cup final on Sunday night between Brazil and France.

"They become our warriors, our diplomats," Leite said, gesturing toward the field where the Brazilian team was training. "This sport has taken the name of

Brazil high up, all over the world."

About 3,000 Brazilian fans packed several sets of bleachers, as they have throughout the World Cup, to watch Ronaldo and Rivaldo and Bebeto and the rest of the defending World Cup champions practice.

Fans filled the plastic stadium seats and began their cheering well before the team bus arrived with a police escort in this town of 22,000, about 40 kilometers (25 miles) east of Paris.

By contrast, at the French team's camp in Clairefontaine, south of Paris, fans are prohibited from watching practice. They don't bother waiting for autographs at the camp's entrance, so the French players practice in virtual solitude, except on the days when reporters are permitted to watch.

At the Brazilian camp, one fan wore a hat with a plastic model of every Brazilian player glued to it. When Ronaldo and a couple of teammates jogged near the fans'

side of the field, young girls leaped to their feet and screamed for his attention. He obliged with a wave.

One woman wore a Brazilian flag wrapped around her waist — and apparently nothing else — as a skirt.

On the other side of the field, about 1,000 journalists elbowed for position behind a fence and in the small grandstand behind it. Television cameras captured every kicked ball, sending live footage for newscasts in Brazil.

Some reporters shouted into cellular phones, providing play-by-play of the training session for live radio broadcasts.

Brazilian newspapers chronicle and analyze, in excruciating detail, virtually every practice. They provide scores, detailed descriptions and even commentary from scrimmages that occur during practices.

The players, who sometimes entertain spectators with extracurricular juggling



A Brazilian fan, draped in his country's flag, near the Eiffel Tower in Paris on Sunday.

FIFA Chief Proposes 2-Referee System

By Amy Shipley

Washington Post Service

PARIS — Joseph (Sepp) Blatter, president of world soccer's governing organization, said he believed that using two referees instead of one in each game might improve the overall quality of officiating.

The head of FIFA called it "perfectly useless" to have three assistant referees who have no real power, as is the case now. The referee is the arbiter of all on-field rulings, and is the only person with the game clock. Two linesmen signal when the ball has gone out of bounds and when a player is offside, but their signals can be ignored by the referee. A fourth official monitors sideline administrative matters such as substitutions.

"We really have to get assistants more involved," Blatter said. "Let's have two referees."

Blatter said he continued to oppose the use of video replays to resolve dis-

putes during World Cup matches. But he said he advocated the use of replays after games were over to evaluate red-card penalties.

A key defender on France's team, Laurent Blanc, was suspended for the Cup final Sunday against Brazil after he received a questionable red card in Wednesday's semifinal match against Croatia.

One referee who worked the Brazil-Netherlands semifinal, Ali Mohamed Buijsam of the United Arab Emirates, joined Blatter in criticizing players who fake fouls.

Separately, Blatter confirmed some logistical issues concerning the 2002 World Cup, which will be jointly hosted by Japan and South Korea. As hosts, he said, both nations would receive automatic bids.

During the first round, 16 teams in four groups will play their games in Japan, with the same number of teams playing in South Korea. In the second

round, half of the teams will switch countries. That pattern will be maintained through the semifinals. The final will be played in Tokyo and the opening game in Seoul.

Japan will also stage games in Sapporo, Miyagi, Niigata, Ibaraki, Saitama, Shizuoka, Osaka, Kobe and Oita. South Korea will host games in Inchon, Suwon, Taegu, Taejon, Chonju, Ulsan, Kwangju, Pusan and Sogwipo.

South Korea and North Korea may field a joint team, and some games may be played in the North Korean capital, Pyongyang.

With only 29 spots in the field available to qualifiers (the defending champion also gets an automatic bid), Blatter said it would be difficult to decide how many berths would be allocated per qualifying region.

Blatter said the continental qualifying system would be decided by the end of the year. "It will require a very diplomatic solution," he said.

Japan will host the 2002 World Cup, which will be held in South Korea. The two countries will share the tournament, which will be held in 2002.

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SPORTS

Schumacher Victorious In Bizarre British Prix

German Driver Crosses Finish Line in the Pit Lane

The Associated Press

Not even Michael Schumacher was sure if he'd won the British Grand Prix, which ended Sunday in a mass of confusion when the German driver veered into the pit lane at the end of the final lap instead of taking the checkered flag.

Schumacher's Ferrari was leading by more than 20 seconds as he roared around on the 60th and last lap. Just seconds from taking the flag, he shockingly drove into the pits.

Mika Hakkinen of Finland, pushing in his McLaren Mercedes, flashed across the finish line. It seemed apparent that Hakkinen had won. Then people started saying that Schumacher had won.

In the pit, Schumacher climbed out of his car, gazed around for a knowing cine, shrugged, and then hugged team members signaling that he thought he'd captured the race.

Schumacher did win, but he did it driving down the pit lane — parallel to the track as he crossed the finish line — a first for even long-time Formula One observers.

The mayhem took over three hours to sort out as McLaren protested — and lost. Officials did not officially explain the bizarre finish but the rules were on Schumacher's side.

Clemens and Jays Top Tigers

The Associated Press

Roger Clemens struck out 10 for his fifth straight victory and Ed Sprague homered twice Sunday, leading the Toronto Blue Jays to a 7-2 triumph over the Tigers in Detroit.

Jose Canseco hit a tie-breaking two-run double in the eighth inning, and Shannon Stewart and Shawna Green added homers for the Blue Jays. Sprague has four homers in his last three games.

Tony Clark homered as the Tigers lost for just the third time in their last 10 games.

Clemens (10-6) gave up two runs and five hits in 7 1/3 innings. It was the 86th

BASEBALL ROUNDUP

double-digit strikeout game of his career and third this year. He is 127-53 lifetime in games following a loss by his team.

The Detroit rookie right-hander Brian Powell had the best of his three major-league starts. He allowed two runs and three hits with no walks and three strikeouts before leaving after Sprague hit a leadoff homer in the eighth for a 2-2 tie.

Doug Brocail came in and gave up a single to Darrin Fletcher and Stewart walked.

Sean Runyan struck out Green, but the rookie Matt Anderson walked Craig Grebeck on four pitches to load the bases.

Canseco then hit the next pitch to the warning track in right-center that the right fielder Bobby Higginson couldn't get to, allowing two runs to score.

Sprague hit his 14th homer and Green added his 17th off Doug Bochtler in the ninth.

Clemens had all his strikeouts in the first five innings. He needed just 13 pitches, only two of them balls, to strike out the side in the first inning.

But Clark led off the second with his 19th homer, a blast into the right-field upper deck.

Powell retired the first eight batters before Stewart hit his third homer in the third.

Consecutive two-run doubles by Marty Cordova and Ortiz off Mesa made it 10-0 in the sixth.

Orlando Merced's RBI double made it 11-1 in the sixth.

Manny Ramirez had an RBI double and scored on Mark Whiten's single in Cleveland's seventh.

In the ninth, Sandy Alomar hit a sacrifice fly and Travis Fryman added a two-run homer, his 17th, off Greg Swindell.

Powell didn't back down either. He re-

Schumacher, under orders from his garage, came into the pit on the final lap to take a 10-second penalty for overtaking under a yellow caution flag.

But his lead of 22.4 seconds over Hakkinen was still large enough to claim the triumph by 12.4 seconds even after the penalty.

McLaren protested, saying that Schumacher should have taken the 10-second penalty during the final few laps — not at the end.

Under the rules, if a time penalty is imposed with fewer than 12 laps to go, stewards may add the "time penalty to the elapsed time" of the driver.

It was not immediately clear on what lap the penalty for passing occurred.

Schumacher's speed was 172.541 kilometers per hour (107.217 miles per hour).

He finished in a time of 1 hour, 47 minutes 12.45 seconds.

Only nine of the 22 cars that started the race finished in the deluge. Third place was taken by Eddie Irvine in a Ferrari, followed by Alexander Wurz and Giancarlo Fisichella, both in Benetton.

The victory was Schumacher's third straight and moved him within two points of Hakkinen in the season standings — 56 points to 54. It was also his 31st career victory.



Tom Steels of Belgium winning the first Tour de France stage, in Dublin on Sunday.

Cyclist Pays for Speaking Out Ex-Irish Racer Spurned After Drug Revelations

By Samuel Abt
International Herald Tribune

DUBLIN — Plump, stately Stephen Roche is one of the major spokesmen for the start of the Tour de France in Ireland, as befits the native of Dublin who won the race in 1987 and whose photograph, in full racing gear, still hangs everywhere years after his retirement.

Sean Kelly, who rode 14 Tours and won the green points jersey four times, is also honored in Dublin, but not nearly as much as he will be Monday when the race passes into County Tipperary and his hometown of Carrick-on-Suir.

The late Shay Elliott, a pioneer Irishman in professional bicycle racing and the holder of the Tour's yellow jersey for three days in 1963, has been similarly celebrated, as has Martin Earley, a clever, hard-working team rider and the winner of a stage a decade ago.

In the publicity buildup for the Tour, no Irishman seems to have been forgotten except for Paul Kimmage. His name appears nowhere except in the Sunday Independent, the Irish newspaper for which he writes, and on the book he wrote, which has just been reissued eight years after it scandalized many in the world of professional bicycle racing. It also sold 15,000 copies, which he calls "pretty good for a sports book," and won an award in Britain as the best sports book of 1990.

Titled "Rough Ride," it tells how Kimmage was a key figure in the offseason trade that sent the second baseman Chuck Knoblauch to the New York Yankees, allowed three runs and four hits in 6 1/2 innings. The left-hander struck out four and walked none.

By then, the Twins had built a 10-0 lead on 13 hits off Charles Nagy (7-6) and Jose Mesa.

Milton (5-7) did not allow a hit or基跑 until David Bell lofted a 1-2 pitch over the left-field wall for his seventh home run with two outs in the sixth.

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Milton, a key figure in the offseason trade that sent the second baseman Chuck Knoblauch to the New York Yankees, allowed three runs and four hits in 6 1/2 innings. The left-hander struck out four and walked none.

Ortiz gave Milton all the offense he needed with a solo homer, RBI single and two-run double for a career-high four RBIs.

Ortiz put Minnesota ahead 1-0 in the second with his sixth homer of the season and second in two days. It was the 26th yielded by Nagy, most in the majors.

Minnesota took a 5-0 lead with a four-run fourth off Nagy. Terry Steinbach had a two-run double and scored on Oatis Nixon's sacrifice fly. Deanne Hocking singled and scored on Pat Meares' single.

Ortiz made it 6-0 with an RBI single in the fifth.

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Powell didn't back down either. He re-

working as a journalist, I wouldn't be here now. I'd be on the other side of the barriers. I believe that very strongly. I'd be lying if I said it didn't sadden me, it didn't disappoint me hugely. To be fair, when they list Stephen and Sean and Shay and Martin, they've won stages in the Tour and written their names in the legends.

"But I do believe there's an underlying current of, 'This guy's written a book that we didn't like and now we're going to make him pay for it, we're not going to let him forget it when the Tour comes to Ireland.'"

"I love the sport," he added. "It was from love of the sport that I took the decision to write the book. Because it would have been easy to take a new job on the paper, say nothing and be buddy-buddy and pat-wally with everyone. But what sort of service would I have done to the kids who were coming into the game? The attitude is 'You cannot be anti-drug and pro-sport.' I'm totally pro-sport. They perceive that if you talk about drugs, you do damage to the sport, which is absolute, complete nonsense."

Roche disagrees. He and Kimmage were more than friends before the book, which is full of flattery — Kimmage now calls them "fawning" — references to the rider who in 1987 won the Tour, the Giro d'Italia and the world championship road race. They were the tribute paid to a star by a *domestique*, or servant, a rider whose finest result was a sixth place in the amateur world championship.

"I don't know what's up with Paul," Roche said in an interview. "Paul wrote his book and I was stung by it. We talked a couple of times and I told him I didn't like it. No, we haven't been reconciled. He has to wake up some time and realize what he's doing to sport in general. Yes, it's O.K. to wake everybody up to the danger of drugs, I do agree, but at the same time there's a limit as to what you can say. He's said one, O.K., but he keeps saying it again."

"I saw kids today need sport to keep them out of trouble, to keep them away from drugs, to keep them out of delinquency," he added. "So encourage them to ride a bike. Don't tell them that if you want to ride a bike well, you have to take drugs. Say it a little, but don't go on and on, please."

EPO multiplies the red blood corpuscles that carry oxygen to muscles. Because it thickens the blood, it is suspected in a handful of rider deaths attributed to heart attacks.

"That's a bad change, a very bad change," he added. "It's a change that happened due to earlier neglect by the authorities."

He was referring notably to the International Cycling Union, which governs the sport.

"This attitude of sweeping it under the carpet, the law of silence, has done a lot of damage to the sport," Kimmage said. "I think they're paying for it now."

So is Kimmage, in his way.

"I haven't been treated very kindly in the run-up to this race," he said. "If I wasn't

working as a journalist, I wouldn't be here now. I'd be on the other side of the barriers. I believe that very strongly. I'd be lying if I said it didn't sadden me, it didn't disappoint me hugely. To be fair, when they list Stephen and Sean and Shay and Martin, they've won stages in the Tour and written their names in the legends.

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WORLD ROUNDUP

Corretja Halts Becker

TELEVISION Alex Corretja of Spain beat semi-retired Boris Becker in the final of the Swiss Open tennis tournament in Gstaad on Sunday, denying the German his 50th career singles title and first ever on clay.

Corretja patiently disposed of Becker, 7-6 (7-5), 7-5, 6-3. Becker has not won a tournament since the Grand Slam Cup two years ago.

Becker's ranking dropped to 119 in the world last week, falling from the top 100 for the first time in 13 years. He will likely re-enter the top 100 on the strength of his victory over world No. 2 Marcelo Rios in the semifinals Saturday.

In other tournament finals Sunday, Magnus Gustafsson of Sweden beat Andrei Medvedev of Ukraine, 6-2, 6-3, in Bastad to win the Swedish Open. Jana Novotna, a Czech who won Wimbledon last week, beat France's Sandrine Testud, 6-3, 6-0, to win the Czech Open clay court tournament. (AP)

Westwood Takes Top Spot

GOLF Lee Westwood won the Loch Lomond tournament by four strokes Saturday to reclaim the No. 1 ranking in European golf.

The Englishman closed with a 1-under-par 70 for an 8-under 276 total. The \$235,155 winner's check moved him past Scotland's Colin Montgomerie on top of the European money list. The tournament sponsor, Standard Life, has also offered a \$1 million bonus for any player who could win the Loch Lomond and the British Open next week.

David Toms, the defending champion, fired his third consecutive five-under-par 65 Saturday to grab the lead entering the last round of the PGA Quad City Classic in Coal Valley, Illinois. At 15-under 195, Toms stood one stroke ahead of Scott Gump.

Pak Se Ri, a 20-year-old South Korean, continued her breathtaking run with an eight-under-par 63 Saturday to open a nine-shot lead after three rounds of the Jamie Farr Classic in Sylvania, Ohio.

Pak, who won the U.S. Open the week before, had a record-setting 61 Friday. Going into Sunday's final round, she stood at 18-under 195, nine shots better than Australia's Karrie Webb. (AP)

Burke Beats All Blacks

RUGBY UNION Matthew Burke scored a record 24 points to lead Australia to a 24-16 victory over New Zealand in the opening match of the tri-nations series Saturday.

Burke scored two tries and kicked four penalties and a conversion to lead the Wallabies to their first victory over the All Blacks since 1994.

New Zealand also scored two tries but was let down by its goal kicking, flyhalf Andrew Mehrtens landing just two kicks compared with Burke's five. (Reuters)



FLYING THE FLAG — A young woman being painted in the colors of the French flag Sunday before watching the World Cup final between her country and Brazil on a giant screen in Wattrelos, in northern France. (Philippe Huguen/Agence France Presse)

FINAL: France Stuns Brazil, 3-0, to Capture Its First World Cup

Continued from Page 1

for the third French goal.

Emmanuel Petit in the second minute of injury time in the second half. A few seconds still remained, but the French players were already feeling what was unquestionably the biggest victory in the history of French sport.

France, the nation that essentially created the World Cup, had never reached the final until this summer. It had not even been able to qualify for the last two editions of the world's most popular sporting event, but it showed nothing but poise in its month-long run to the title, leaning on a superb defense and scoring more goals (15) than any other team in the tournament.

France won the final despite playing the last 20 minutes with only 10 men after defender Marcel Desailly was sent off with his second yellow card for a foul on Cafu. France also won despite playing the entire game without another one of its best defenders, Laurent Blanc.

But though Blanc, who was given a red card in the semifinal, was unable to play, he still walked onto the field just before kickoff to maintain his pre-match ritual of kissing the bald head of goal-

keeper and close friend Fabien Barthez.

The embrace had brought the French good fortune throughout the tournament, and they would have a bit more on their side again on Sunday because Brazil's star striker, Ronaldo, was visibly hampered by an ankle injury throughout the match.

The closest Brazil would come to a goal was in the 90th minute, when Denilson, the eternal second-half substitute, brushed the crossbar with a left-footed shot inside the French penalty area.

Two minutes later, Petit broke free in the Brazilian half and made his left-footed shot inside the penalty area count

rough play from the Brazilian defender Junior Baiano kept Guivarc'h from getting a close-range shot on goal.

It was a very early omen, and in the fourth minute, Zidane would embark on a marvelous, meandering run that would leave Guivarc'h with a good look at the ball and the goal from 15 yards away.

His shot would trickle harmlessly left of the mark and into the hands of the Brazilian goalkeeper, Taffarel.

The Brazilians would not get a shot on goal until the 20th minute when Roberto Carlos launched a long and unsuccessful lob from 35 yards that landed on top of the French goal's netting.

But two minutes later, off a corner kick, Brazil would get its best chance of the half when Rivaldo found room behind Emmanuel Petit to strike a header from 6 yards that, luckily for France, was aimed straight above goalkeeper Fabien Barthez's head.

The goalie leaped and controlled the ball, but Taffarel would not be so fortunate when Petit struck a left-footed corner kick in the 27th minute. Zidane might not look like much of an athlete, with his shuffling stride and slightly sloping shoulders, but his appearance is most deceptive. As Petit's corner kick curled in, he outleaped Leonardo, the nearest Brazilian defender, and headed the ball from seven yards into the lower right corner of the goal past the lunging Taffarel.

In the second minute of injury time in the first half, Zidane capitalized on another corner kick, this one from the opposite side from the right foot of his longtime partner in the French attack, Youri Djorkaeff. In the 31st minute,

Ronaldo would chase down a long ball into the French penalty area. He had a step on Lilian Thuram, but his last step would take him into Barthez.

Injuries? Ignore Them For the Love of Money
Hobbled Players Becoming Soccer's Patrons

By Rob Hughes
International Herald Tribune

PARIS — If Ronaldo were a thoroughbred racehorse instead of the world's most prized goal-scoring, it is unlikely he would have been allowed to compete Sunday. But, limping in pain from a knee injury, he nevertheless started the World Cup final.

On Europe's racetracks, there are rules to prevent animals from being injected with the type of painkillers Ronaldo has probably been resorting to. A fine stallion would be protected by

VANTAGE POINT

animal-rights protesters who would shame the owners for putting the horse through unnecessary suffering, and by shareholders who would not want their investment harmed by a subpar performance.

Yet Ronaldo is only human, and humankind was tuning into this match from around the globe. Before kickoff, the question was not whether Ronaldo might be kept out because of his restricted movement, but whether a pain-killing agent might enable him to score the first hat trick in a World Cup final since Geoff Hurst did it for England in 1966.

Ronaldo started the game needing those three goals to take the Golden Boot award for the highest scorer in this World Cup away from Croatia's Davor Suker. The Croatian had 6 goals to Ronaldo's 4 before the final.

It might be hard to conjure up sympathy for a 21-year-old whose combined income from Brazil's national team, his Italian club Inter Milan and his sponsors, Pirelli and Nike, is over \$10 million per year. But as Ronaldo has known since his first serious knee injury at the age of 17, there is a limit to how much wear and tear, how much air travel, how many performances the body can take.

"Take care of your body," Pele, the

most famous soccer player in history, said the other day. "I played 25 years

only because my body was strong and I looked after it. For young players like Ronaldo, like Michael Owen, this is the beginning. Their bodies are the investment."

Pele, in his role traveling the globe for MasterCard and for television, is still drawing on that investment.

How long dare we hope Ronaldo and Owen have? The pace of the modern game is fearful. The destruction is fierce. As we have seen at this World Cup, one player is quite prepared to put another out of the next match, even if it is the final, especially if he calculates the referee won't see the offense.

But the forces of commerce are powerful. Ronaldo's schedule is out of his hands, uncaring for his limbs and overall health.

There are agents to feed. There is Nike and its \$400 million, 10-year deal with the Brazilian soccer federation demanding that the golden boy plays every match that doctors will allow.

There is talk that Inter Milan might sue Brazil if, as feared, Ronaldo needs further surgery to correct the knee damage being aggravated here. Ronaldo is Inter's player, Inter's investment. The club wants to take priority over the country.

Indeed, Franz Beckenbauer, who was himself a pedigree player, but now (among other things) president of Bayern Munich, has suggested that future World Cups might be built around clubs rather than countries.

It is not a new suggestion. Silvio Berlusconi, the playmaster at AC Milan, Inter's great rival, had the same idea when Milan ruled the world game with its mix of talents from almost a dozen nationalities. Both men have been visionaries; Beckenbauer, in the way he changed defense into attack on the field, Berlusconi in his initial injection of Dutch master players into Milan's previously predictable team.

What they are saying — and FIFA is heeding — is that the money lies with clubs, not with national associations. True, but here more than anywhere in the rich history of World Cups, we are witnessing the license to print billions of dollars through *nationalism*, rather than through real soccer appeal.

But the struggle that destroys the rare talents in the sport is quickening. On the eve of the World Cup final, in early July, the first round of the "Intertoto" cup was played across Europe to determine which clubs might be added to the crowded UEFA Cup for next season.

Relentless is the pursuit of more and more matches to milk gate receipts, television and sponsorship. This has turned soccer into a greedy, and most careless, business. In a few weeks, the players who gave their all at this World Cup will be back on duty for the coming European club seasons. In a few months, players will be called to the qualifying rounds for the 2000 European Championships' Cup. Soon, qualifying for the 2002 World Cup will start.

Nevertheless, FIFA's eyes are on a World Club Cup to fill the precious few weeks in June and July in the years when neither a World Cup nor a continental championship is exhausting the players.

FIFA, I know, has a responsible medical committee. It also, I suspect, has bulging files concerning the repercussions of overplaying the players. Whether it has a responsible mind, or a will to restrain from profiteering, it must tell us.

Meanwhile, Ronaldo and the modern generation of star performers are chasing ever more impressive cash prizes during shorter career spans. If it is possible to feel sorry for a player made wealthy for life by doing what millions would love to do, then Ronaldo is the man.

The animal-rights groups might even be considering that humans are a part of the family of animals.

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